



雲白國際有限公司

YNBY International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00030)

2024

ANNUAL REPORT

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CORPORATE INFORMATION

As at the publication date

BOARD OF DIRECTORS

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Zhouyang

Non-Executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin

Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

COMMITTEES

Audit Committee:

Mr. Wong Hin Wing (*Chairman*)

Mr. Qian Yinghui

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Remuneration Committee:

Dr. Cheung Hoi Yu (*Chairman*)

Mr. Tang Ming

Dr. Cecilia Wai Bing Pang

Mr. Wong Hin Wing

Nomination Committee:

Mr. Dong Ming (*Chairman*)

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

COMPANY SECRETARY

Mr. Liu Huaiyu

AUTHORIZED REPRESENTATIVES

Mr. Tang Ming

Mr. Liu Huaiyu

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

32/F

Cambridge House, Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited

PRINCIPAL SHARE REGISTRAR IN BERMUDA

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS BUSINESS REVIEW

During the year ended 31 December 2024 (the “FY2024”), the Group has been principally engaged in the trading of goods and commodities business and provision of professional services, which include the product registration and promotion services. The Group’s operations are divided into (i) the trading of goods and commodities business, encompassing (a) e-commerce trading business, (b) raw material trading business for healthcare products in the People’s Republic of China (the “PRC”), and (c) distribution of certain products (the “YNBY Products”) manufactured and branded by the Company’s controlling shareholder Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) (“Yunnan Baiyao Group”) to overseas markets; and (ii) other segment, mainly providing marketing services, product registration services, and sourcing for OEM/ODM services.

Trading of goods and commodities segment

The trading of goods and commodities segment refers to (i) e-commerce trading business, (ii) raw materials trading business for healthcare products which includes the sourcing of packaging materials, pharmacy and cosmetics materials, plant extracts, etc. and then reselling of the products to the PRC corporate customers that are engaged in the manufacturing of cosmetics and healthcare products and the respective packaging materials and (iii) distribution of the YNBY Products to overseas markets.

The Group’s e-commerce trading business is primarily operated by selling products bearing third-party brands, which are sourced and procured from overseas suppliers and sold to renowned online platforms in the PRC, such as VIP.com, JD.com, Tmall and overseas online platforms, such as Coupang, Lazada and Shopee. The Company constantly communicates with its customers, being mainly the e-commerce trading platforms, to understand their demand of products. In the meantime, the Company reviews its inventory and/or seeks quotations from its extensive network of suppliers, and may place purchase orders according to suitable market situations, which are nevertheless constantly changing, within the context of the Company’s supply capabilities. Once a receipt of order from the Company’s customer is confirmed, the Company will (i) assure supply quantity and quality, from existing inventories and/or from a number of different suppliers; (ii) arrange for respective payments to the suppliers where appropriate; (iii) use own or third-party warehouse to receive the ordered goods from the Company’s suppliers, and deploy own team or appoint third party to conduct quality inspection; (iv) facilitate the delivery of the products to the Company’s customers; (v) arrange the products to go through customs inspection and clearance where appropriate; (vi) facilitate relevant customers services including but not limited to aftersales services; (vii) cooperate with business partners and formulate further marketing and sales of relevant products, and monitor the sales trend for such products; and (viii) the Company usually receives the payments from the e-commerce platforms within the credit period on each sales after the delivery of ordered goods.

Starting from trading of CBD raw materials and CBD isolate business, as a natural expansion of its CBD trading business, the Group has been engaged in the sourcing of raw materials for manufacturing since early 2022, which involved the supply of other plant extracts and raw materials for cosmetics and healthcare products, including packaging materials, sorbitol, steviol glycoside, lauric acid, glycerin, etc. to existing and potential customers in the healthcare and cosmetics industry. As a modest extension of the services previously offered by the Group, the Group no longer passively sources products required by its customers, but takes on a more active role in serving its existing and potential customers in respect of their supply chain.

We are fully equipped with the resources, experience, and subsidiaries needed to effectively navigate the healthcare product industry and are deeply confident that trading raw materials for healthcare products will be a significant contributor to the Group’s profitability. Our management team is committed to leveraging these assets to continue driving growth and success in our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Trading of goods and commodities segment (Continued)

For the FY2024, the trading of goods and commodities segment reported revenue of approximately HK\$754.9 million, representing an increase of approximately 32.6% from approximately HK\$569.5 million reported for the nine months 31 December 2023 (the "FY2023"). This segment reported a segment profit of approximately HK\$54.5 million for the FY2024 (the FY2023: approximately HK\$41.0 million). The improvement on the segment revenue and segment results is mainly attributable to (i) longer accounting period covered in the FY2024 for which the accounting periods covered 12 months in the FY2024 and 9 months in the FY2023, respectively, and (ii) expansion of distribution of the YNBY products with higher profit margin in the FY2024.

Other segment – marketing services, product registration services, and sourcing for OEM/ODM services

For the provision of professional services, the Group shall (i) assist its customers on the registration of products pursuant to the relevant overseas regulatory and registration requirements; (ii) assist its customers on intellectual property registration of products; (iii) provide overseas marketing services for its customers and their products; and (iv) provide overseas market expansion services to its customers.

In the FY2024, the Group's other segment neither generated any revenue (the FY2023: HK\$9.2 million), nor incurred any profit or loss (the FY 2023: approximately HK\$1.3 million).

PROSPECTS

Data released by the National Bureau of Statistics of the PRC show that from January to November 2024, the PRC's national online retail sales achieved high growth, increasing by 7.4% year-on-year to RMB14.03 trillion. Online retail sales of physical goods reached RMB11.81 trillion, representing a 6.8% increase and accounting for 26.7% of total retail sales of consumer goods.¹ Furthermore, the Ministry of Commerce (MOFCOM) recently issued the "Notice on Printing and Distributing Several Policy Measures to Promote Stable Growth in Foreign Trade," proposing nine measures, including expanding the coverage of export credit insurance and optimizing cross-border trade settlement, to promote stable growth in foreign trade. These measures, which include encouraging financial institutions to increase financing support for small and medium-sized foreign trade enterprises, promoting the development of cross-border e-commerce, and expanding the catalog of imported technologies and products, are expected to boost confidence in foreign trade development and promote the high-quality development of the PRC's foreign trade.² Preliminary estimates from the General Administration of Customs show that in the first three quarters of 2024, the PRC's cross-border e-commerce import and export value reached RMB1.88 trillion, a year-on-year increase of 11.5%, exceeding the overall growth rate of the PRC's foreign trade during the same period by 6.2 percentage points.³ The steady growth of the e-commerce market in the PRC has created a favorable environment for the Group's related businesses. Leveraging the successful experience of its existing business strategies since 2022, the management believes that by capturing market opportunities in the PRC, the Group will have considerable growth prospects in the trading of goods and commodities, particularly in the e-commerce trading business. The Group has promising prospects in the trading of goods and commodities, including e-commerce trading business, supply chain trading business, and TCM international trading business.

¹ 11月份社會消費品零售總額增長3.0%
<http://finance.people.com.cn/BIG5/n1/2024/1216/c1004-40383104.html>

² 商務部關於印發促進外貿穩定增長若干政策措施的通知
https://www.gov.cn/zhengce/zhengceku/202411/content_6988626.htm

³ 1.88萬億元！前三季度我國跨境電商繼續「加速跑」
https://www.gov.cn/lianbo/bumen/202410/content_6980300.htm

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES

For the FY2024, the Group's general and administrative expenses (which mainly comprised legal and professional fees, staff salaries, directors' fees and depreciation of right-of-use assets) amounted to approximately HK\$31.0 million (the FY2023: approximately HK\$31.5 million), representing a decrease of approximately 1.6% as compared with that in the FY2023. The upward impacts on the general and administrative expense arising from longer accounting covered in the FY2024 were offset by tight cost control during the FY2024. Hence, the general and administrative expenses remained relatively stable in the FY2024.

OTHER INCOME, GAINS AND LOSSES

The decrease in other income, gains and losses is from gains of approximately HK\$136.0 million in the FY2023 to loss of approximately HK\$112,000 in the FY2024. Such decrease was attributable to the recognition of gain on disposal of a subsidiary of the Company amounting to approximately HK\$137.5 million in the FY2023 whereas no such gain was recognised in the FY2024.

FINANCE COSTS

For the FY2024, finance costs of approximately HK\$2.7 million (the FY2023: approximately HK\$3.5 million) were incurred, representing a decrease of approximately 22.9% which was attributed by a decrease of the effective interests on a convertible bond arising in the FY2024 mainly as a result from ceasing to recognise effective interest expenses after maturity of the convertible bond on 30 October 2024.

INCOME TAX EXPENSES

For the FY2024, income tax expenses of approximately HK\$5.8 million (the FY2023: approximately HK\$2.7 million) were incurred. The increase in the income tax expenses was primarily resulted from the trading profits arising from raw material trading business for healthcare products in the PRC during the FY2024.

EARNINGS PER SHARE

For the FY2024, the basic earnings per share amounted to 0.27 HK cents while the diluted earnings per share amounted to 0.23 HK cents, as compared to the basic earning per share of 2.11 HK cents and diluted earning per share of 1.67 HK cents in the FY2023, mainly resulted from no gain on disposal of a subsidiary of the Company (included in other income, gains and losses) in the FY2024.

FINANCIAL POSITION

The shareholders' equity increased from approximately HK\$243.2 million as at 31 December 2023 to approximately HK\$259.9 million as at 31 December 2024. Total assets decreased by approximately 5.7% from HK\$390.2 million as at 31 December 2023 to approximately HK\$368.0 million as at 31 December 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately HK\$212.5 million (31 December 2023: approximately HK\$199.3 million). As at 31 December 2024, the Group had bank borrowings denominated in Renminbi of approximately HK\$2.2 million which were at fixed rate and short-term loans with 1-year maturity (31 December 2023: HK\$17.7 million). As at 31 December 2024, the convertible bond had matured (31 December 2023: approximately HK\$13.0 million with coupon rate of 3% per annum. The interest expenses of the convertible bond for the year are calculated by applying an effective interest rate of 18.79% per annum to the liability component for 2-year period since the convertible bond were issued). The gearing ratio of the Group is approximately 0.8% as at 31 December 2024 (31 December 2023: approximately 12.6%), which is calculated by the total interest-bearing borrowings divided by the net assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board did not propose a final dividend for the FY2024 (the FY2023: nil).

SHARE CAPITAL, FUND-RAISING ACTIVITIES AND CHANGE IN USE OF PROCEEDS

As at 31 December 2024, the total number of issued ordinary shares (the “Shares”) of the Company was 6,799,914,160 Shares (31 December 2023: 6,799,914,160 Shares).

In October 2020, the Company issued a convertible bond to Yunnan Baiyao Group with a principal of HK\$500 million and a net proceed of approximately HK\$498 million, equivalent to a net price of approximately HK\$0.257 (the “Subscription”) in order to provide financial resources for exploring opportunities to diversify the businesses. A total of 1,937,984,496 ordinary shares of nominal value of HK\$0.01 per share could be converted and issued at conversion price of HK\$0.258 per share upon maturity. The closing price per shares on the date of subscription agreement (being 14 October 2019) was HK\$0.260. Please refer to the circular of the Company dated 11 September 2020 for further details. As at 31 December 2024, approximately HK\$396 million had been used from the date of Subscription in accordance with its intended use as stated in the circular of the Company dated 11 September 2020 (for further details in relation to the use of proceeds, please refer to the breakdown set out in the paragraph below), and the unused balance of the Subscription proceeds was approximately HK\$102 million.

The convertible bond had matured on 30 October 2024. Please refer to the announcement of the Company dated 29 October 2024 for further details.

In June 2022, the Company placed 351,762,000 ordinary shares of nominal value of HK\$0.01 per share (Aggregate nominal value: HK\$3,517,620) with a gross proceed of approximately HK\$100 million (net proceeds of HK\$100 million) (the “Placing”) to Sunwah Great Wall Group Limited at subscription price of HK\$0.285 per share (with a net price of approximately HK\$0.284 per share) in order to supplement the Group’s long-term funding of its expansion plan and growth strategies and broaden the shareholder base. The closing price per share on the date of the Placing agreement (being 14 April 2022) was HK\$0.244. As at 31 December 2024, approximately HK\$50 million had been used from the date of the Placing in accordance with its intended use as stated in the announcements of the Company dated 14 April 2022 and 16 May 2022, and the unused balance of the Placing proceeds was approximately HK\$50 million.

In view of the tighter government policies on CBD products in Hong Kong and the overall operation environment, including but not limited to the legal aspect, of the Group, the Board, on 14 March 2025, has resolved to reallocate the utilised proceeds from the Subscription and the Placing, which were set for CBD-related business and to re-designate to the existing trading business of the Group. Please refer to the table below for the details of the reallocation. The Board considered the reallocation of the unutilised net proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interests of the Company and its shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL, FUND-RAISING ACTIVITIES AND CHANGE IN USE OF PROCEEDS (CONTINUED)

The following table summarises (i) application of net proceeds from the Subscription and the Placing in the FY2024 and (ii) the latest proposed change in use of proceeds and the resulting new allocation for the unutilised amount of net proceeds of the Subscription and the Placing on 14 March 2025.

	Unused balances from the net proceeds as at 31 March 2023 and 31 December 2023 HK\$ million	Actual use of net proceeds during the period from 1 January 2024 to 31 December 2024 HK\$ million	Unused balances from the net proceeds as at 31 December 2024 HK\$ million	Proposed change in use of proceeds on 14 March 2025 (Note 1) HK\$ million	New allocation for remaining portion of proceeds (Note 3) HK\$ million
Subscription					
Purchase of CBD isolate inventory for trading purpose	5	–	5	(5)	–
Marketing expenses for the existing trading business in Asian markets				5	5
Setting up of hemp cultivation and extraction and trading business	70	–	70	(70)	–
Expansion on existing trading business in raw materials				70	70
Expansion of CBD-related target business	27	–	27	(27)	
Expansion on existing trading business in e-commerce				27	27
Total	102	–	102	–	102
Placing					
Expansion of CBD-based cosmetics products and industrial cannabis trading business with ASEAN	40	–	40	(40)	–
Expansion on existing trading business in raw materials				40	40
Research and development of Chinese herbal medicine in the PRC and development the trading network in Thailand, Indonesia, Singapore, Korea and Malaysia, etc (Note 2)	10	–	10	–	10
Total	50	–	50	–	50

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL, FUND-RAISING ACTIVITIES AND CHANGE IN USE OF PROCEEDS (CONTINUED)

Note 1

In view of the change in government policies on CBD products in Hong Kong and the overall operation environment of the Group, the Board has resolved to reallocate all unused proceeds from CBD-related business to existing trading business of the Group.

Note 2

In the past, the Group explored opportunities in respect of research and development of Chinese herbal medicine in the PRC and development of trading network in South Asia countries, but had deferred utilising the proceeds due to inherent uncertainties that exist with the opportunities.

Note 3

The Company intended to fully utilise the net proceeds from the Subscription and the Placing by 31 December 2026.

FUNDING AND TREASURY POLICY

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE THE END OF REPORTING PERIOD

The Group did not have any material subsequent events after 31 December 2024 and up to the date of this report.

PLEDGE OF ASSETS

As at 31 December 2024, no assets of the Group were pledged to secure general banking facilities granted to the Group (31 December 2023: nil).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars, Euro and Renminbi. Most of the Group's cash balances are deposited in Hong Kong dollars, US dollars, Euro or Renminbi with licensed banks in Hong Kong and the PRC. Certain portion of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

Other details of the activities during the period as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 December 2024, and an indication of likely future development in the Group's business, can be found in the section of "Business Review" and "Prospects" under "Management Discussion and Analysis" in this report.

COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

As at 31 December 2024, the Group had 35 employees (31 December 2023: 34 employees). For the FY2024, the total salaries, commissions, incentives and all other staff related costs amounted to approximately HK\$17.2 million (the FY2023: HK\$14.7 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included defined contribution mandatory provident funds in accordance with local laws and regulations and medical insurance.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2024, the Group did not have any significant investments, acquisitions or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2024. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTION TAKEN BY THE GROUP

The following sets out (i) details of qualified opinion, issued by ZHONGHUI ANDA CPA Limited (the “ZHONGHUI ANDA”), on the comparative figures in relation to a matter identified in the FY2023 and potential impacts on the consolidated financial statements, (ii) the management’s position, views and the assessment on the qualified opinion, (iii) the Audit Committee’s view towards the qualified opinion, and (iv) proposed plan to address the qualified opinion:

Details of Qualified Opinion on the Comparative Figures in relation to a Matter Identified in FY2023 and Potential Impacts on the Consolidated Financial Statements

Insufficient accounting records of Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (“Wan Long Shenzhen”)

Since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “Basic Records”), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for their audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen’s accounting records were needed for their audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “Specific Records”).

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors of the Company (the “Board”) considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, ZHONGHUI ANDA has not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the nine months ended 31 December 2023, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Extract of Statement of Profit or Loss and Other Comprehensive Income

	For the nine months ended 31 December 2023 HK\$
Revenue	–
Cost of sales	–
Other income, gains and losses	22,815,913
Selling and distribution expenses	(2,780)
Administrative expenses	(35,527)
Income tax credit	23,579

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTION TAKEN BY THE GROUP (CONTINUED)

Details of Qualified Opinion on the Comparative Figures in relation to a Matter Identified in FY2023 and Potential Impacts on the Consolidated Financial Statements (Continued)

Extract of Statement of Profit or Loss and Other Comprehensive Income (Continued)

Accordingly, ZHONGHUI ANDA was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the nine months ended 31 December 2023.

During the nine months ended 31 December 2023, Wan Long Shenzhen was disposed of in December 2023, gain on disposal of approximately HK\$137,542,825 was recognised in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and as disclosed in note 36 to the consolidated financial statements of the Group.

As a result of the matters mentioned above, ZHONGHUI ANDA has not been able to obtain sufficient appropriate audit evidence to ascertain whether the gain arisen from the disposal of Wan Long Shenzhen included in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

The Management Position, View and Assessment on the Qualified Opinion

As disclosed in the section headed “the Management Position, View and Assessment on the Qualified Opinion and action taken by the Group” under “Management Discussion and Analysis” of the annual report of the Company for the nine months ended 31 December 2023, the basis (the “Basis”) giving rise to the qualified opinion on the FY2024 Financial Statements was developed based on the qualified opinion on the FY2023 Financial Statements in relation to the disposal of the Wan Long Shenzhen, in which sufficient accounting records were absent. ZHONGHUI ANDA was unable to obtain sufficient appropriate audit evidence to ascertain whether the gain arising from the disposal of Wan Long Shenzhen included in the consolidated statement of profit or loss and other comprehensive income in FY2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen, unavoidably resulting in ZHONGHUI ANDA being unable to draw comfort on the comparative figures of the same item contained in the FY2024 Financial Statements. Having considered that Wan Long Shenzhen had been disposed of in December 2023, the Company is of the view that the Basis giving rise to the qualified opinion on the FY2024 Financial Statements will be removed from the consolidated financial statements of the Company for the financial year ended 31 December 2025 (the “FY2025”), and accordingly, the Basis for the FY2024 Financial Statements will be properly addressed in the consolidated financial statements of the Company in FY2025.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION AND ACTION TAKEN BY THE GROUP (CONTINUED)

The Audit Committee's View towards the Qualified Opinion

The Audit Committee of the Company (the "Audit Committee") has reviewed the Basis giving rise to the qualified opinion on FY2024 Financial Statements, agreeing that the Basis was developed based on the qualified opinion on FY2023 Financial Statements and unavoidably resulted in ZHONGHUI ANDA being unable to draw a comfort on the comparative figures on the same items contained in the FY2024 Financial Statements. The Audit Committee agreed with the management's position, view and assessment on the qualified opinion based on the reasons above. The Audit Committee is of view that, taking into account the Basis, the qualified opinion on FY2024 Financial Statements will be addressed and removed in the consolidation financial statements of the Company in FY2025.

Proposed Plan to Address the Qualified Opinion

Having considering the qualified opinion to be properly addressed and expected to be removed in the consolidated financial statements of the Company in FY2025, the management is of the view that no further plan and/or action is considered necessary.

DIRECTORS' REPORT

The Board presents their report and the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities. The details of principal activities and other particulars of the subsidiaries are set out in note 21 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the year ended 31 December 2024, and an indication of likely future development in the Group's business, can be found in the section of "Management Discussion and Analysis" on pages 3 to 12.

During the year ended 31 December 2024, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit and loss and other comprehensive income on pages 87 to 88.

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 91 and note 38 to the consolidated financial statement respectively.

DISTRIBUTABLE RESERVES

The Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 (as amended) as at 31 December 2024. In addition, the Company's share premium account of HK\$1,085,013,367 as at 31 December 2024 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 38 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 152.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Zhouyang

Non-Executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin

Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

In accordance with the Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years, Mr. Liu Zhouyang, Mr. Wong Hin Wing and Mr. Qian Yinghui will retire from office by rotation and will offer themselves for re-election at the forthcoming annual general meeting ("AGM"), notice of which will be dispatched to the shareholders of the Company (the "Shareholders") in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 22 to 26 of this report.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 30 September 2013 has expired on 29 September 2023.

During the year ended 31 December 2024, no options were granted or exercised under the share option scheme.

As the Share Option Scheme expired on 29 September 2023, there is no share available for issue at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party or any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACT OF SIGNIFICANCE

Except as disclosed in the "Connected Transactions" and "Continuing Connected Transactions", there were no contracts of significance between the listed issuer, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries, and there were no contract of significance for the provision of services to the listed issuer or any of its subsidiaries by a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Save for the extension supplemental agreement entered into between the Company and its controlling shareholder Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) on 5 December 2022 in relation to the extension of the maturity date of the convertible bonds, which was approved by the shareholders of the Company on 12 January 2023, there was no connected transaction for the year ended 31 December 2024.

DIRECTORS' REPORT

Reference is made to the Company's announcement dated 29 October 2024, the Company received a notice from the bondholder, Yunnan Baiyao Group of exercising the conversion rights of the convertible bonds in full. On that date, the Company's public float was approximately 25.5%, if Yunnan Baiyao Group fully exercises the conversion rights of the convertible bonds, the public float of the Company will be reduced to approximately 19.84%, which fails to comply with the minimum public float requirement of 25% under the Rule 8.08(1)(a) of the listing Rules. Therefore, according to the pre-existing terms of the convertible bonds, Yunnan Baiyao Group will only be allotted the conversion shares after the Company's public float satisfies the share exchange requirements. As per the Company's announcement on 29 October 2024, the Company has been actively seeking investors to increase its public float, but up to the date of this report, the Company has not reached a firm intention to invest.

For further details and updates in relation to the convertible bonds, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020, 30 October 2020, 31 October 2022, 5 December 2022, 29 December 2022, 29 October 2024 and the circular of the Company dated 11 September 2020, respectively and note 31 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

On 13 December 2022, the Company and Yunnan Baiyao Group entered into a framework agreement (the "Framework Agreement"), pursuant to which, (i) Yunnan Baiyao Group agreed to purchase (a) product registration and promotion services, (b) global supply chain integration services, and (c) professional supporting services from the Group, and (ii) the parties agreed to cooperate in the sales and distribution of the products, in which the Group will distribute Yunnan Baiyao Group's products overseas and Yunnan Baiyao Group will distribute the Group's products in the PRC.

As Yunnan Baiyao Group is a connected person of the Company, the implementation of the transactions contemplated under the Framework Agreement constitutes a continuing connected transaction (the "Continuing Connected Transaction") of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps under the Framework Agreement exceeds 5%, the implementation of the transactions contemplated under the Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Framework Agreement was approved by the shareholders of the Company on 15 May 2023. For further details in relation to the Framework Agreement, please refer to the announcement of the Company dated 13 December 2022 and the circular of the Company dated 27 April 2023.

The audit committee of the Company, under the authority delegated by the Board, has reviewed the Continuing Connected Transaction pursuant to Rule 14A.55 of the Listing Rules, and confirmed that the transaction was entered into by the Group in accordance with the requirements of the Listing Rules.

DIRECTORS' REPORT

For the purpose of Rule 14A.56 of the Listing Rules, ZHONGHUI ANDA CPA Limited, the external auditor of the Company, was engaged to report on the Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor has issued an unqualified letter to the Board containing its findings and conclusions in respect of the transaction disclosed above in accordance with Rule 14A.56 of the Listing Rules.

The external auditor has confirmed the above Continuing Connected Transaction as follows:

- a. nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has not been approved by the Board.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes them to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transaction.
- d. with respect to the aggregate amount of the Continuing Connected Transaction, nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has exceeded the annual cap as set by the Company.

The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save for the Framework Agreement, there was no continuing connected transaction for the year ended 31 December 2024.

RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" and "Continuing Connected Transaction" of this annual report, no related party transactions disclosed in Note 42 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, none of the Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, the following persons and entities (other than a Director or chief executives of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
LUO GA	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Gold Bricks Holdings Limited	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Sunwah GreatWall Group Limited	Beneficial owner	351,762,000 (Note 3)	5.17%
Yunnan Baiyao Group	Beneficial owner	1,908,025,360 (Note 2)	28.06%
Yunbaiyao Hong Kong Co., Limited	Beneficial owner	3,101,911,000 (Note 2)	45.62%
Shanghai International Trust Corp., Ltd. ("Shanghai Trust")	Trustee	1,937,984,496 (Note 1)	28.50%

Notes:

- The Company entered into a subscription agreement with Yunnan Baiyao Group on 14 October 2019 (the "Subscription Agreement"). Pursuant to the Subscription Agreement and the supplemental subscription agreements (collectively, the "Subscription Agreements"), the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai Trust, the Convertible Bond (the "Subscription"). The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreements. The principal amount of the Convertible Bond was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the Convertible Bond has been issued to Shanghai Trust, which subscribes and holds the Convertible Bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bond.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the date of the full conversion of the Convertible Bond, 1,937,984,496 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bond, representing approximately 30.05% of the existing issued share capital of the Company.

For further details of and updates in relation to the Subscription, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020, 30 October 2020, 31 October 2022, 5 December 2022, 29 December 2022, 29 October 2024 and the circular of the Company dated 11 September 2020, respectively.

DIRECTORS' REPORT

2. On 9 September 2021, New Huadu HK acquired 56,000,000 Shares (namely the Acquisition Shares, which comprise approximately 0.87% of the Shares in issue as at the date of the joint announcement) for a consideration of HK\$0.285 per Share on the secondary market. New Huadu HK is wholly-owned by New Huadu Industrial, which is held as to approximately 93.69% by Mr. Chen Fashu, through his shareholding in Xiamen Huadu and through such shareholding held by him in his own capacity. Mr. Chen Fashu is a director of YNBY Group Co. and together with parties acting in concert with him, holds approximately 25.04% of YNBY Group Co.. Yunbaiyao Hong Kong Co., Limited (the "Offeror") is an indirect wholly-owned subsidiary of YNBY Group Co.. Accordingly, the Offeror, Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. are presumed to be parties acting in concert under the Takeovers Code. the Offeror and parties acting in concert with it were interested in 1,908,025,360 Shares, representing approximately 29.59% of the entire issued share capital of the Company. As a result of the Acquisition, the Offeror and parties acting in concert with it, became collectively interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares immediately after the Acquisition and as at the date of the joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders is required to be made.

On 18 January 2022, the Offeror had received valid acceptances in respect of 3,101,911,000 Offer Shares under the Offer as at the date of such announcement. Taking into account the Acceptance Shares and Shares already owned by the Offeror and parties acting in concert with it, the Offeror and the parties acting in concert with it are interested in an aggregate of 5,065,936,360 Shares as at the date of such announcement.

Please refer to the announcements dated 11 November 2021, 15 December 2021, 4 January 2022 and 18 January 2022.

3. On 6 June 2022, 351,762,000 new ordinary shares of the Company have been issued and allotted to Sunwah GreatWall Group Limited under general mandate and pursuant to the terms of the subscription agreement dated 14 April 2022 (the "Subscription") (details of which are disclosed in the announcements of the Company dated 14 April 2022, 16 May 2022 and 6 June 2022). Sunwah GreatWall Group Limited is owned as to 99% by Gold Bricks Holdings Limited, which is in turn wholly-owned by Luo Ga. As such, each of Gold Bricks Holdings Limited and Luo Ga is deemed to be interested in the same number of shares of the Company held by Sunwah GreatWall Group Limited.

Save as disclosed above, as at 31 December 2024, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

NO PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares of the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-Law 164 of the Bye-laws and relevant provisions of the regulations stipulated, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses and liabilities which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the reporting period. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors of the Group.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	27.9%
– five largest suppliers combined	67.9%

Sales

– the largest customer	24.2%
– five largest customers combined	60.7%

Yunnan Baiyao Group, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest customers. Save as aforesaid, none of the directors, their close associates nor any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

The Company is committed to maintaining a good relationship with its employees, customers, suppliers and other stakeholders that have a significant impact on the Company and on which the Company's success depends.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, the public float of the Shares has remained above the minimum percentage required by the Stock Exchange throughout the year.

EVENTS AFTER THE REPORTING PERIOD

The Company did not have any material subsequent events after 31 December 2024 and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a 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 ended 31 December 2024 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Company's corporate governance practices, including the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee"), are set out in the Corporate Governance Report on pages 27 to 44 of this report.

For details of the Company's Environmental, Social and Governance Report 2024, please refer to pages 45 to 82 of this report.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risks management and financial reporting matter, including the review of the financial statements for the year ended 31 December 2024.

DIRECTORS' REPORT

AUDITORS

HLB Hodgeson Impey Cheng Limited ("HLB") has been the auditor of the Group since 9 March 2017 until 25 April 2023. On 25 April 2023, HLB resigned as the auditor of the Company. The Board, with the recommendation of the Audit Committee, resolved to appoint ZHONGHUI ANDA CPA Limited ("Zhonghui Anda") as the auditor of the Company with effect from 28 April 2023 to fill the casual vacancy following the resignation of HLB as auditor of the Company. The consolidated financial statements for the year ended 31 December 2024 have been audited by ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Dong Ming

Chairman

Hong Kong, 14 March 2025

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 December 2024, the composition of the Board and senior management of the Company was as follows:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Zhouyang

Non-executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin

Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

Senior Management:

Mr. Huaiyu Liu (*Chief Financial Officer and Company Secretary*)

Up to the publication date of this report, the composition of the Board and senior management of the Company is as follows:

EXECUTIVE DIRECTORS

Mr. Dong Ming (“Mr. Dong”), aged 48, is and has been the chief executive officer and vice-chairman of Yunnan Baiyao Group since 4 March 2021 and 26 August 2024 respectively. Mr. Dong obtained a bachelor degree in industrial automation from Northeastern University* (東北大學) in the PRC in July 1999. Before joining Yunnan Baiyao Group, Mr. Dong engaged in various positions at Huawei Technologies Co., Ltd.* (華為技術有限公司) (“Huawei Technologies”) during 1999 to 2021, including technical engineer, department heads of various departments, including the landline network marketing department of Xi’an Representative Office, landline network product marketing department of the Eastern Europe Region, VIP system department and the mobile system department, vice president of the Region of Commonwealth of Independent State and Huawei Technologies as well as the general manager of the Beijing Branch.

Mr. Dong has been appointed as executive Director, the Authorised Representative and Process Agent of the Company with effect from 17 January 2022. Furthermore, Mr. Dong has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company with effect from 11 February 2022. With effect from 5 September 2022, Mr. Dong ceased to be the Authorised Representative of the Company.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Zhouyang (“Mr. Liu”), aged 38, has been the deputy chief executive officer of the Company since 12 November 2021. Mr. Liu obtained a bachelor’s degree in e-commerce from Hunan Agricultural University* (湖南農業大學) in 2009 and a master’s degree in national economics in Kunming University of Science and Technology* (昆明理工大學) in the PRC in 2012. Mr. Liu engaged in various positions at Yunnan Baiyao Group since 2013, including project manager of the centre of operation management, the project manager of the general office of the strategic committee, the investment relations specialist of securities department, the manager of the general office of the general manager and the assistant of general manager of the investment department.

Mr. Liu has been appointed as an executive Director with effect from 11 February 2022. Mr. Liu was appointed as the Authorised Representative and the Process Agent of the Company from 20 April 2022 to 29 November 2023.

Mr. Tang Ming (“Mr. Tang”), aged 50, holds a master of business administration from Cornell University, USA, and a bachelor of electronic engineering from Tianjin University of Technology, PRC. Mr. Tang has over 27 years of experience in international business development. He specializes in building global strategies, setting global business teams, and is familiar with local regulations and ecosystem to start the new business. He has rich experience across marketing and sales, R&D, supply chain, Go-To-Market, etc. Prior to joining the Company, he worked as the Vice President of Intelligent Automotive Solution Business Unit Europe Region, General Manager of consulting services of Enterprise Business Group Europe Region, at Huawei Technologies Co., Ltd from July 2016 to January 2022.

Mr. Tang has been appointed as the Chief Executive Officer of the Company with effect from 15 April 2022, the executive Director with effect from 19 August 2022, and a member of the Remuneration Committee with effect from 3 February 2023.

NON-EXECUTIVE DIRECTORS

Mr. Huang Bin (“Mr. Huang”), aged 59, obtained a bachelor’s degree in engineering from Harbin Engineering University and had subsequently attended visiting scholar program from European Economic Community and business management courses from Northwestern University in the United States. Mr. Huang is a director of CITIC International Assets Management Limited (中信國際資產管理有限公司) and its subsidiaries.

Mr. Huang was a non-executive director and co-chairman of the board of China New Economy Fund Limited (中國新經濟投資有限公司), a company listed on the Stock Exchange with stock code: 80 from January 2022 to September 2024.

Prior to his appointments as stated above, from March 2020 to December 2021, Mr. Huang served as a non-executive director and the chairman of Lamtex Holdings Limited (“Lamtex”) (林達控股有限公司), a company previously listed on the Stock Exchange, a Bermuda company previously listed on the Stock Exchange (stock code: 1041) and was principally engaged in securities trading and investment business, securities brokerage and provision of securities margin finance business, hotel operation business and trading, and manufacturing of electronic products business. Pursuant to the announcement of Lamtex dated 17 March 2021 (the “Lamtex Announcement”), a winding-up petition against Lamtex was filed to the High Court of The Hong Kong Special Administrative Region (the “High Court”) on 20 August 2020 on the grounds that the Lamtex is insolvent and unable to settle the debt in sum of HK\$10,200,000.00, being the principal sum and accrued interests due and owing as at 2 July 2020 in relation to the bond issued by Lamtex on 30 May 2019 for a term of 1 year due repayable on 28 May 2020. On 11 March 2021, Lamtex was ordered to be wound up by High Court. For further details, please refer to the Lamtex Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of Lamtex was appointed on 12 May 2021.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

From September 2019 to October 2020, Mr. Huang served as an executive director of GTI Holdings Limited (“GTI”) (共享集團有限公司), a Cayman Islands company listed on the Stock Exchange (stock code: 3344) and was principally engaged in sales and trading of textile products, trading of petroleum and chemical products, RMB banknotes clearing up services and others. Pursuant to announcement of GTI dated 23 November 2021 (the “GTI Announcement”), a winding-up petition against GTI was filed to the High Court by one of the bondholders of GTI on 19 March 2020 on the grounds that GTI failed to pay such individual the outstanding principal amount and accrued interest of the bonds in an aggregate amount of HK\$3,843,876.38 as at 21 April 2020. On 22 November 2021, GTI was ordered to be wound up by High Court. For further details, please refer to the GTI Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of GTI was appointed on 22 February 2022.

Mr. Huang initiated the formation of Guangdong-Hongkong-Macao Bay Area Entrepreneurs Union (粵港澳大灣區企業家聯盟) (the “Union”). Mr. Huang is the executive vice chairman of the Union and is in charge of technology and financial sector.

Mr. Huang has extensive professional experience in fund and asset management as well as investment banking and direct investments. Mr. Huang is dedicated to serve in the PRC, throughout the years, he contributed, including but not limited to, developments in cross-border energy, resource mergers and acquisitions, and promoting energy output and international engineering.

Mr. Huang has been appointed as the non-executive Director of the Company with effect from 19 August 2022.

Mr. Qian Yinghui (“Mr. Qian”), aged 41, has been the director of the board office of Yunnan Baiyao Group since April 2021, and the board secretary of Yunnan Baiyao Group since January 2022. Mr. Qian obtained a bachelor’s degree in law from China Youth University of Political Studies* (中國青年政治學院) in the PRC in 2006, and a master’s degree in international trade and commercial law from the University of Durham in the United Kingdom in 2008. Mr. Qian served as the project manager of the general office of the strategic committee of Yunnan Baiyao Group and the project director of the centre of strategic development of Yunnan Baiyao Group.

Mr. Qian has been appointed as an non-executive Director with effect from 11 February 2022. With effect from 30 March 2022, Mr. Qian has also been appointed as a member of the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Hin Wing (“Mr. Wong”), MH, JP, aged 62, holds a Master’s degree in Executive Business Administration (EMBA) from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors, and the Chartered Governance Institute. He is also a member of the American Institute of Certified Public Accountants and is a chartered member of the Chartered Institute for Securities & Investment. Moreover, Mr. Wong was awarded the Medal of Honour and appointed Justice of the Peace by the Government of the Hong Kong Special Administrative Region.

Mr. Wong is a member of the Anhui Provincial Committee of the Chinese People’s Political Consultative Conference. He is also a panel member of the Accounting and Financial Reporting Review Tribunal, as well as a member of the Betting and Lotteries Commission, the Medical Council of Hong Kong, and the Advisory Committee on Enhancing Self-Reliance Through District Partnership (ESR) Programme. Mr. Wong is a board member of Ocean Park Corporation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong also serves as an independent non-executive director in other companies listed on the Main Board of the Stock Exchange. These include Zhaoke Ophthalmology Limited, Kingmaker Footwear Holdings Limited, C Cheng Holdings Limited, InnoScience (Suzhou) Technology Holding Co., Ltd. and YNBY International Limited.

Mr. Wong served as an independent non-executive director of Wine's Link International Holdings Limited (a company listed on the Stock Exchange with stock code: 8509) from December 2017 to February 2023, CRCC High-Tech Equipment Corporation Limited (a company listed on the Stock Exchange with stock code: 1786) from November 2015 to October 2022, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a A+H shares company listed on the Shanghai Stock Exchange with stock code: 600332 and the Stock Exchange with stock code: 874) from June 2017 to May 2023, Inner Mongolia Yitai Coal Co., Ltd. (a B+H shares company listed on the Shanghai Stock Exchange with stock code: 900948 and the Stock Exchange with stock code: 3948) from May 2017 to May 2023, and Jiangxi Bank Co., Ltd. (a H shares company listed on the Stock Exchange with stock code: 1916) from February 2018 to August 2024.

Furthermore, Mr. Wong is the partner of Hermitage Capital HK Limited, a private equity firm licensed under the Securities and Futures Ordinance. Prior to this, he had worked with an international audit firm for four years, following which he served as chief financial officer of a listed company for seven years. Afterwards, he co-founded Silk Road International Capital Limited (a licensed corporation formerly known as Legend Capital Partners Inc.) and led the company as the executive director and responsible officer for twenty three years. Overall, he has over three decades of solid experience in corporate management and governance, investment management and advisory as well as accounting and finance.

Mr. Wong has been appointed as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

Dr. Cheung Hoi Yu ("Dr. Yu"), JP, aged 70, obtained a bachelor's degree of science, a master's degree of science, and a doctoral degree of philosophy, from the University of Saskatchewan in Canada, in May 1976, October 1980 and May 1984, respectively. Dr. Yu has published more than 170 scientific papers and is the inventor of more than 70 global patents.

Dr. Yu is currently an independent non-executive director, a member of the remuneration committee and a member of the nomination committee of Sirnaomics Limited, a company listed on the Stock Exchange with stock code: 02257.

Dr. Yu also serves as (i) a director of CR-CP Life Science Fund Management Limited since May 2021; (ii) a member of the Biotech Advisory Panel of the Stock Exchange since April 2018; (iii) a member of the board of trustees of Gordon Research Conference, a group of international scientific conferences covering biological, chemical and physical sciences and the related technologies, since July 2014; (iv) a director at Asian Fund for Cancer Research since November 2012; and (v) a member of the Technology and Innovation Subsector of the Election Committee of Hong Kong since October 2021.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Yu served as the chairman of the Hong Kong Council for Testing and Certification from January 2016 to December 2021. In addition to that, Dr. Yu serves as a professor at the Neuroscience Research Institute (北京大學神經科學研究所) at Peking University (北京大學) since January 2002. Dr. Yu founded the Hong Kong Biotechnology Organization (HKBIO) in September 2009 and the Guangdong – Hong Kong – Macau Greater Bay Area Biotechnology Alliance in December 2017, and has been serving as the president since Dr. Yu's appointment. Dr. Yu also founded Hong Kong DNA Chips Limited, presently Hai Kang Life Corporation Limited, in May 1999, and has been serving as the president of the board. Dr. Yu was appointed as a Justice of the Peace in July 2016.

Dr. Yu has been appointed as an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee with effect from 21 November 2023.

Dr. Cecilia Wai Bing Pang (“Dr. Pang”), BBS, aged 69, obtained a bachelor of science degree from the University of Manitoba in Canada in 1976, and bachelor of science with honours and doctor of philosophy degrees from the Monash University in Australia in 1978 and 1983 respectively.

Dr. Pang was the Biotechnology Director of the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region for 20 years. She has over thirty years of experience in the research, development and management of the biotechnology industry.

Dr. Pang has been appointed as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

COMPANY SECRETARY

Mr. Huaiyu Liu, aged 53, was appointed as the Chief Financial Officer in June 2022, and as the Company Secretary in August 2022. He holds a master of business administration from Cornell University, USA, and a bachelor of economics from Shenzhen University, PRC. He is a member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Liu has over 25 years of experience in finance and management, and had held senior posts with various listed companies, including the chief financial officer of V1 Group Limited (Stock Code: 00082) from November 2018 to August 2019, and the executive vice president and company secretary of Chiho Environmental Group Limited (Stock Code: 00976) from October 2016 to April 2017, and the chief financial officer of Xinyuan Real Estate Company Limited (NYSE: XIN), a company listed on the New York Stock Exchange, from April 2015 to September 2016. Mr. Liu has served as an independent non-executive director, the chairman of audit committee, the chairman of remuneration committee of Kafelaku Coffee Holding Limited (stock code: 01869) since November 2023. He has also served as an independent director and the chairman of audit committee of BitFuFu Inc. (NASDAQ: FUFU), a company listed on NASDAQ, since August 2024.

SENIOR MANAGEMENT

Throughout the reporting period, the Group has undertaken a strategic restructuring, where key businesses and operational functions are now overseen directly by the Executive Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary, all of whom constitute the senior management team of the Group. The Board will review the organisation structure from time to time to complement the Company's corporate strategy.

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed “Management Discussion and Analysis” of this annual report.

THE STOCK EXCHANGE’S DISCIPLINARY ACTION AGAINST THREE FORMER DIRECTORS

During the Reporting Period, the Stock Exchange censured three former directors for failing to cooperate with a Listing Division investigation. The Stock Exchange found the directors breached Listing Rules 3.09C and 3.20, which require directors to cooperate with investigations, promptly answer questions, and maintain updated contact information with the Stock Exchange for three years after their directorship ends. Despite receiving investigation and reminder letters, the directors provided no substantive response.

The Listing Committee of the Stock Exchange determined that the directors’ obligation to provide requested information persists even after their tenure ends. Their failure to cooperate constitutes a serious breach of the Listing Rules. Consequently, the Stock Exchange imposed disciplinary sanctions against the three former directors. These sanctions do not apply to the Company or any other current or former directors. For details, please refer to the Company’s announcement dated 3 October 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has embraced the mission of delivering quality and innovative value-added products and services. Through the Company’s operational practices, policies, and interaction with its stakeholders, including but not limited to customers, investors, suppliers and employees, it is reflected that the Company aims to achieve sustainable growth and success with its culture of building a long-term sustainable development business. The Board has recognised the importance of good corporate governance practices in safeguarding the interest of the shareholders, and the Company is committed to maintaining and achieving a high standard of corporate governance to enhance corporate value, business growth, accountability and transparency.

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. In the opinion of the Board, save for deviations as set out below, during the year ended 31 December 2024 and up to the date of this report, the Group has applied and compiled the principles set out in the Corporate Governance Code (“CG Code”) as contained in Appendix C1 to the Listing Rules:

Code Provision F.2.2

Code provision F.2.2 stipulates that the Chairman of the Board shall attend the annual general meeting of the Company.

Mr. Dong Ming, the Chairman of the Board, was unable to attend the annual general meetings of the Company held on 8 February 2024 and 16 May 2024 due to other important business engagement. Mr. Tang Ming, an executive Director, was appointed to chair the annual general meetings in replying to questions raised by shareholders of the Company at the meetings.

CORPORATE GOVERNANCE REPORT

Code Provision C.1.6

Code Provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Dr. Cheung Hoi Yu, an independent non-executive Director and the chairman of the Remuneration Committee, and Mr. Huang Bin and Mr. Qian Yinghui, the non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 May 2024 due to other important business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group's senior management and persons who are privy to price sensitive information of the Group. Having made specific enquiry, all Directors confirmed to the Company that they have complied with the Model Code during the year and up to the date of publication of this report.

SHARE OPTION SCHEME

During the year ended 31 December 2024, no options were granted or exercised under the share option scheme. For further details, please refer to note 34 of the consolidated financial statements.

THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, oversees the Group's businesses and evaluates the performance of the Group. The Board also focuses on the overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors were supplied with adequate and relevant information in a timely manner to enable them to form informed decisions before all the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place for the members of the Board and/or committee to seek independent professional advice at the Company's expenses to assist them to discharge their duties. The Company's senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. For Board meetings and the Board Committee meetings, the agenda accompanying Board papers were sent to all Directors at least three days before the intended date of the Board meetings or the Board Committee meetings.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Board Composition

During the year ended 31 December 2024 and up to the publication date of this report, the Board consisted of the directors as follows:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Zhouyang

Non-executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin

Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

There is no financial, business, family or other material/relevant relationship among members of the Board.

The Board has a policy of appointing Directors with different professional background, industry experiences, skills, knowledge and background so as to bring in valuable contributions and advice for the development of the Group's business. Currently, three out of eight Directors are INEDs and one of them is a qualified accountant. Biographical details of the Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. According to the Bye-laws, all newly appointed directors will hold office until the first general meeting after his/their appointment(s) and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2024, Mr. Dong Ming ("Mr. Dong") was the Chairman of the Board and Mr. Tang Ming ("Mr. Tang") was the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has the overall responsibility for leading the Company and providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of Company's policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains a constant dialogue with the Chairman and all the Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

NON-EXECUTIVE DIRECTORS

All non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in line with the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Directors of their independence to the Group. The Group considered all of the independent non-executive Directors to meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Board Meetings

The Board held 4 meetings in the fiscal year. Prior notices and the agenda of the Board meetings were given to the Directors. Directors may attend meetings in person or via telephone, electronic or other communication facilities. Minutes of the Board meetings and the Board Committees meetings are recorded in sufficient details and kept by the company secretary for inspection by Directors. The Board holds meetings on a regular basis and will meet on other occasions when a board-level decision on a particular matter is required. The Board also monitors and controls financial performance in pursuit of the Group's strategic objectives. The attendance of each of the directors at Board meetings, Committee meetings and annual/special general meetings held during the year ended 31 December 2024 is set out below.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual/ Special General Meetings
Total numbers of meetings held during the year ended 31 December 2024	4	3	0	0	2
Executive Directors:					
Mr. Dong Ming	4/4	N/A	0/0	N/A	0/2
Mr. Tang Ming	4/4	N/A	0/0	N/A	2/2
Mr. Liu Zhouyang	4/4	N/A	N/A	0/0	2/2
Non-executive Directors:					
Mr. Qian Yinghui	4/4	3/3	N/A	N/A	0/2
Mr. Huang Bin	3/4	N/A	N/A	N/A	0/2
Independent Non-executive Directors:					
Dr. Cecilia Wai Bing Pang	4/4	3/3	0/0	0/0	2/2
Dr. Cheung Hoi Yu	4/4	3/3	0/0	0/0	1/2
Mr. Wong Hin Wing	4/4	3/3	0/0	0/0	2/2

Apart from regular board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors for the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Training materials and regular updates were made available to the Directors to keep them abreast of the relevant rules and requirements, the topics of the training materials include, amongst others, inside information disclosure requirements under the SFO, continuing and connected transactions under Chapter 14A of the Listing Rules, and other relevant laws and the Listing Rules.

A summary of the trainings attended by the Directors during the Reporting Period is as follows :

Name of Directors	Training Topics		
	Legal and Regulatory	Business Update	Corporate Governance
Executive Directors			
Mr. Dong Ming	✓	✓	✓
Mr. Tang Ming	✓	✓	✓
Mr. Liu Zhouyang	✓	✓	✓
Non-executive Directors			
Mr. Qian Yinghui	✓	✓	✓
Mr. Huang Bin	✓	✓	✓
Independent Non-executive Directors			
Dr. Cecilia Wai Bing Pang	✓	✓	✓
Dr. Cheung Hoi Yu	✓	✓	✓
Mr. Wong Hin Wing	✓	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; and
- to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviews their effectiveness.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has set up three committees including the Audit Committee, the Nomination Committee and the Remuneration Committee, each Committee with its specific terms of reference as set out in the CG Code.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in consistence with the CG Code for the purpose of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year ended 31 December 2024 included the following matters:

- i. reviewed and made recommendations to the Board regarding the remuneration packages for each of the individual executive directors and senior management of the Company for the year ended 31 December 2024 by assessing their performance with reference to the Board's corporate goals and objectives. The Remuneration Committee has considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance based remuneration;
- ii. reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- iii. ensured no director or any of his associated is involved in deciding his own remuneration;
- iv. reviewed and made recommendations to the Board on the emolument policy of the employees of the Group on the basis of their merit, qualification and competence;
- v. reviewed the terms of executive directors' service contracts;
- vi. reviewed matters relating to share schemes under Chapter 17 of the Listing Rules.

The details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (other than the Directors) for the year ended 31 December 2024 is listed as below by band:

	2024 Number of individuals
HK\$1,000,001 – HK\$1,500,000	1

The number of the Remuneration Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 December 2024 was set out in the section headed "Board Meetings" above.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

During the year ended 31 December 2024 and up to the publication date of this report, the Remuneration Committee consisted of the following members:

Independent Non-executive Directors

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu (*Chairman*)

Mr. Wong Hin Wing

Executive Director

Mr. Tang Ming

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in consistence with the CG Code for the purpose of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and identifying individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

Board diversity policy and nomination policy have been adopted to maintain the Board with a diversity of directors and with a nomination process of candidates respectively.

In addition, the shareholders have the power to nominate any person to become a director of the Company in accordance with the Bye-laws, the procedures for election of directors were published on the Company's website.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The work of the Nomination Committee during the year ended 31 December 2024 included the following matters:

- i. reviewed the Nomination Committee terms of reference and evaluated the Directors' skills, qualifications, knowledge and experiences;
- ii. reviewed the composition of the Board in accordance with the measurable objective of the Board Diversity Policy; and
- iii. reviewed the Board Diversity Policy and the nomination policy to achieve the selection, appointment and re-appointment of the Directors.

The number of Nomination Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 December 2024 was set out in the section headed "Board Meetings" above.

Board Diversity Policy

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the "Board Diversity Policy") and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy. The Board Diversity Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to establishing procedures of candidates' selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board's composition will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises Directors with both genders, diverse backgrounds and experiences. The Board has a balanced composition for its executive Directors being in possession of extensive industrial expertise and experience in the operation of Group's business and the independent non-executive Directors contributing their independent opinions and judgements, which facilitate an effective decision-making process for the Board. The composition of the Board is reviewed on an annual basis by the Nomination Committee.

As at 31 December 2024, the Board has one female Director and has achieved gender diversity on board level. The Board also recognizes the importance of diversity at the workforce level. As at 31 December 2024, the Group had a total of 35 employees, of which 18 were male and 17 were female. The gender ratio of the Group's workforce (including senior management) was approximately 51.4% male to 48.6% female.

As the plans for the Group in terms of gender diversity in workforce, the Group will periodically review internal records on gender diversity, identify suitable female candidates for relevant positions within the Company, and try to ensure that there is gender diversity when recruiting staff at mid to senior level and training female staff with the aim of promoting them to the senior management or directorship of the Company, so as to maintain the balance of gender diversity in the foreseeable future.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy

With an aim to set out the criteria and process in relation to the selection, appointment and re-appointment of the Directors to guide the Nomination Committee, the Board has approved and adopted a nomination policy (the "Nomination Policy") in January 2019 to assess the suitability of a candidate for directorship and make recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing directors to the Board.

The Nomination Committee shall consider the following criteria when they are evaluating and selecting candidates for directorships:

- a. character and integrity;
- b. professional qualifications, knowledge and skills and professional experience that are relevant to the Company's business and corporate strategy;
- c. willingness to devote adequate time to discharge duties as a Board or committee member and other directorships and significant commitments;
- d. requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out therein;
- e. the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- f. such other perspectives appropriate to the Company's business.

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill the Board's casual vacancy in accordance with the following procedures:

- a. The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship.
- b. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and conduct reference check of each candidate (where applicable).
- c. The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.
- d. Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

- e. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.
- f. Pursuant to the Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he/she retires. For all newly appointed directors who will hold office until the first general meeting of shareholders after his/their appointment(s) and shall then be eligible for re-election.
- g. A candidate is allowed to withdraw his/her candidacy at any time before the general meeting by serving a notice in writing to the Company.
- h. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee shall review the Board Diversity Policy and Nomination Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and Nomination Policy on an annual basis.

Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

During the year ended 31 December 2024 and up to the publication date of this report, the Nomination Committee consisted of the following members:

Independent Non-executive Directors

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

Executive Director

Mr. Dong Ming (*Chairman*)

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Company has established the Audit Committee with written terms of reference in consistence with the CG Code. The revised terms of reference are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, reviewing the Group's financial information, discussing auditing matters and overseeing the Group's financial reporting system, risk management and internal control procedure. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel and records, and the power to liaise with external auditors and senior management. During the year ended 31 December 2024, the Audit Committee held 3 meetings and the work of the Audit Committee included the following matters:

- i. reviewed and discussed the terms of reference of the Audit Committee in order to be in line with the latest amendment of Listing Rules;
- ii. discussed with management the risk management framework, policies and procedures and ensure that they are in place to identify, assess, manage, control and report risks and draft a written risk management policy to monitor the Group's business objectives;
- iii. discussed with management the status of interim results for the six months ended 30 June 2024 and annual results for the year ended 31 December 2024;
- iv. reviewed and discussed with management the report of the risk management and internal control systems proposed by an independent consultant to assess the internal control and risk management of the Company during the year ended 31 December 2024;
- v. reviewed and discussed with management and the external auditors regarding the financial statements for the year ended 31 December 2024 and management letter;
- vi. reviewed and discussed with management and the external auditors regarding the unaudited interim financial statements for the six months ended 30 June 2024 and management letter;
- vii. reviewed the effectiveness of risk management and internal control system;
- viii. reviewed the external auditors' statutory audit plan and engagement letter;
- ix. discussed with the management and ensured that the Board has conducted an annual review such that there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function; and
- x. recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

The number of the Audit Committee meetings held and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 December 2024 was set out in the section headed “Board Meetings” above. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024.

During the year ended 31 December 2024 and up to the publication date of this report, the Audit Committee consisted of the following Directors, of which Mr. Wong Hin Wing is a certified public accountant:

Independent Non-executive Directors

Dr. Cecilia Wai Bing Pang

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing (*Chairman*)

Non-executive Director

Mr. Qian Yinghui

Accountability and Audit

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

During the year ended 31 December 2024, the management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 83 to 86.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and maintaining effective and adequate risk management and internal control systems, including the risks relating to the Company's environmental, social and governance ("ESG") performance and internal control systems and reviewing their effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management (including ESG risks), financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications. The Board recognizes the importance of identifying and addressing ESG-related risks, including those related to climate, and believes that a focus on managing these factors can result in an enhanced and long-lasting business value for the Group.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defense, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management (including ESG risks) and internal control systems the year ended 31 December 2024, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting and ESG reporting functions on an annual basis.

Based on the framework for risk management (including ESG risks) and internal control system established by the Group, the Board and the Audit Committee admitted that through the review of risk management (including ESG risks) and internal control systems of the Group, it can evaluate and improve its effectiveness. The Board, with the concurrence of the Audit Committee, considered that such systems, including financial, operational and compliance were effective and adequate for the year ended 31 December 2024 based on the work performed and report prepared by the independent consultant. The Company will perform the ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management (including ESG risks) and internal control system will be conducted annually.

Internal audit function

The Group had engaged an independent internal control consultant to assess the Group's overall internal controls for the year ended 31 December 2024 and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The assessment was conducted annually and the results were finalized in March 2025 and communicated with the Audit Committee. The Board is of the view that the internal control measures of the Group are adequately and effectively monitoring its business operations for the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Main Board Listing Rules and SFO and shall seek legal advice where necessary. The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the respective websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

MECHANISMS TO ENSURE INDEPENDENT VIEWS IN THE BOARD

The Board has established mechanisms to ensure independent views are available to the Board in the Company's director nomination policy and board diversity policy. The Board will periodically review the implementation and effectiveness of such mechanisms. A summary of the mechanism is set out below:

Composition

The Board shall ensure the appointment of at least three independent non-executive Directors ("INED(s)") and at least one-third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time).

Independence Assessment

The Nomination Committee shall adhere to the nomination policy with regard to the nomination and appointment of INEDs. The INED candidate must satisfy the independence requirements under Rule 3.13 of the Listing Rules. Each INED is also required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

Channel for Communication

The Company is committed to ensuring that the INEDs will be given the opportunity and channel for Directors to communicate and express their independent views and inputs to the Board and its committees. The Company has established channels through formal and informal means whereby INEDs can express their views in an open, candid as well as confidential manner, should circumstances require, these include meetings with the Chairman of the Company without the presence of the other Directors to discuss major issues and any concerns, and dedicated meeting sessions with the Chairman of the Company and interaction with management and other Board members including the Chairman of the Company outside the boardroom.

CORPORATE GOVERNANCE REPORT

WHISTLEBLOWING POLICY

The Company has adopted an arrangement, including a whistleblowing policy and the policy of anti-corruption to allow and encourage employees and other stakeholders to raise concerns, in confidential, about possible improprieties in financial reporting, internal control, criminal action, compliance and other malpractices or other matters. All the concerns received will be handled confidentially in a prompt and fair manner. The Board shall regularly review such arrangements, conduct independent investigation on these matters if necessary, and consider appropriate follow-up action.

AUDITORS' REMUNERATION

The financial statements for the year ended 31 December 2024 have been audited by ZHONGHUI ANDA CPA LIMITED. Fee paid or payable to the auditors for audit service provided to the Group is approximately HK\$1,900,000. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors. For the year ended 31 December 2024, there was a HK\$400,000 non-audit service fee payable to the auditors for interim review services provided to the Group.

COMPANY SECRETARY

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

During the year ended 31 December 2024, Mr. Liu Huaiyu ("Mr. Liu") is the Company Secretary of the Company and has complied with all the required qualifications, experiences and training requirements under the Listing Rules. He was the full-time employee of the Company and had possessed knowledge of the Company's affairs. Mr. Liu is a member of The Hong Kong Institute of Certified Public Accountants, he has over 25 years of experience in finance and management with various large organizations and listed companies.

For the year ended 31 December 2024, Mr. Liu complied with the Listing Rules by taking not less than 15 hours of relevant professional training. The biography of Mr. Liu is set out in the section headed "Biographical Information of Directors and Senior Management" in this report.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has established a shareholders communication policy which sets out the Group's commitment of and channels for maintaining an effective ongoing dialogue with shareholders, with the aim to ensure that the shareholders' views and concerns are appropriately addressed. The Company has reviewed the implementation and effectiveness of such policy during the year ended 31 December 2024 and considered that it is sufficient and effective for the reasons set out below.

In order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the shareholders as follows:

- (a) corporate communications such as annual reports, interim reports, announcements and circulars are issued and are available on the respective websites of the Stock Exchange and of the Company;
- (b) general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings;
- (c) separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors;
- (d) designated senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner; and
- (e) the Company's share registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the general meetings were published on the website of the Stock Exchange as well as the Company's website.

Dividend Policy

The Company adopts a dividend policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) effective allocation of distributable retained earnings and reserves; (iii) the growth and investment opportunities; (iv) other macro and micro economic factors; and (v) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Bye-laws.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholder's meetings

Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

Shareholders' Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The contact details are set out in the Company's website (www.0030.com.hk).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has from time to time endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection and to lead its reduction in greenhouse gas emissions that contribute to climate change. Information on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" on pages 45 to 82 of this report.

CONSTITUTIONAL DOCUMENTS

The Bye-laws are available on the Company's website: www.0030.com.hk and the Stock Exchange's website: www.hkexnews.hk. No significant change was made to the Company's constitutional documents for the year ended 31 December 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1 Preamble

YNBY International Limited (the “Group” or “We”) is pleased to present the Environmental, Social and Governance (“ESG”) Report for the year ending 31 December 2024 (collectively the “ESG Report” or the “Report”), which has been prepared in compliance with the disclosure obligations under the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix C2 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The purpose is to enable stakeholders to better understand the Group’s direction, plans and performance in operational and ESG matters. The Group is committed to continuously enhancing its corporate social responsibility in the course of its business to better respond to the changing needs of the ever-changing society and fulfil its commitment to sustainable development.

1.2 Scope of the Report

This ESG Report covers the ESG performance and Key Performance Indicators (“KPIs”) of the Group’s business operating in Hong Kong from 1 January 2024 to 31 December 2024 (the “Reporting Period” or the “Year”), including marketing services, product registration services, and sourcing for OEM/ODM services. The reporting boundary of the ESG Report and operational scope of the Group cover the operation of Cambridge House, Quarry Bay. A full index is attached to the last chapter of the report for readers to follow the ESG guidelines.

1.3 Reporting Principles

The ESG report follows the reporting principles of “Materiality”, “Quantitative”, “Balance” and “Consistency”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality

Stakeholder engagement and materiality assessment were conducted for the determination of the content of the ESG Report. The Group has identified ESG-related issues, collected and reviewed the views of internal management and various stakeholders, assessed the relevance and materiality of the issues, and prepared and validated the information in the ESG Report. The ESG Report covered a comprehensive range of material ESG issues of concern to the Group's stakeholders.

Quantitative

The Group has disclosed qualitative environmental and social KPIs in the ESG Report. To enable stakeholders to have a full understanding of the Group's ESG performance, the standards, methodologies, references and conversion factors used to calculate the KPIs are described wherever appropriate.

Balance

The Group adheres to the principle of impartiality and has written this report accordingly.

Consistency

The Group uses consistent reporting and calculation methods, as far as practicable, to facilitate the comparability of ESG performance between years. The Group uses the number of employees to calculate the density of environmental KPIs. In case of any changes in methodologies, the Group will present and explain in detail in the corresponding sections.

1.4 Stakeholder Feedback

For detailed information on the Group's environmental, social and corporate governance, please refer to the HKEXnews website of Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the Group's website (<http://www.0030.com.hk/>). The Group attaches great importance to the views of its stakeholders. If you have any questions or suggestions regarding the contents of this report or the form of reporting, please feel free to contact the Group through the following means:

Address: 32/F, Cambridge House,
No. 979 King's Road, Quarry Bay,
Hong Kong
Email: info@0030.com.hk
Tel: +852 2549 8222

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ESG MANAGEMENT

2.1 Board Statement

The Group believes that sound ESG governance principles will effectively enhance the value of our investments and generate long-term returns for our stakeholders and the Group. In order to better implement and improve the ESG management approach, the Board is responsible for ESG management and oversight, establishing and reviewing the overall ESG vision, approach, strategy or initiatives. At the same time, the Board will also establish communication bridges between departments to facilitate and supervise the coordination and communication among departments, so that ESG governance work can be carried out smoothly. In addition, in terms of ESG-related risk management, the Board oversees the entire process of ESG risk prediction and implementation of mitigation plans, pays attention to the potential impact of business operations on market trends, and makes adjustments to its policies to minimize the negative impact on the Company.

In respect of material ESG issues, the Group engaged a third-party ESG consultant during the Reporting Period to help identify material ESG issues and make recommendations on its ESG performance. The consultancy firm assisted in collecting and analysing the views of the Group's stakeholders on ESG issues and conducted materiality assessment. The Board also participates as a stakeholder in the materiality assessment by providing comments, reviewing the results and identifying material ESG issues for the Group.

The Board is responsible for formulating policies to address material ESG-related issues. In order to develop and implement effective ESG initiatives, the Board also regularly reviews the Group's ESG performance and progress towards achieving its objectives. The Board has set corresponding targets and indicators for important ESG-related issues and reviews the planning and implementation of ESG-related work at its regular meetings. In addition, the Board will make timely adjustments to the ESG management approach in response to policy development trends in order to lead the ESG process across the Group. Effective communication channels have also been established between departments to ensure close cooperation. The Group also shares its ESG progress with various stakeholders, in particular through the Group's annual ESG report. The Board will continue to look for opportunities to improve ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 Stakeholder Engagement

The Group acknowledges the crucial importance of stakeholder engagement and input in formulating sustainable development strategies. We are committed to maintaining close and positive relationships with stakeholders, understanding and responding to their expectations and requirements, and implementing various strategies for improvement. Our key stakeholders include government entities, shareholders and investors, employees, customers, suppliers/partners, industry associations, regulatory bodies, public and communities. The table below outlines the expectations and requirements of our key stakeholders, as well as the methods of communication and response, and measures that we employ:

Stakeholder	Expectations and Requirements	Communication and Response	Measures
Government	<ul style="list-style-type: none"> – To comply with laws – Proper tax payment – Promote regional economic development and employment 	<ul style="list-style-type: none"> – On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Public information disclosed on the Stock Exchange website, such as: interim reports, annual reports and announcements – Company website 	<ul style="list-style-type: none"> – Operated, managed, paid taxes according to laws and regulations, strengthened safety management, accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.
Shareholders and Investors	<ul style="list-style-type: none"> – Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders – Business risk management 	<ul style="list-style-type: none"> – Annual general meeting and other shareholder meetings – Public information disclosed on the Stock Exchange website, such as: interim reports, annual reports and announcements – Meeting with investors and analysts – Company website 	<ul style="list-style-type: none"> – Issued notices of general meeting and proposed resolutions according to regulations, disclosed company information by publishing announcements/circulars and periodic reports in the Year. – Disclosed company contact details on website and in reports and ensured all communication channels available and effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder	Expectations and Requirements	Communication and Response	Measures
Employees	<ul style="list-style-type: none"> – Safeguard rights and interests of employees – Health and safety – Working environment – Career development opportunities – Self-actualisation 	<ul style="list-style-type: none"> – Regular meetings – Training, seminars and briefing sessions – Intranet and emails – Annual performance appraisal – Employee activities 	<ul style="list-style-type: none"> – Provided a healthy and safe working environment – Developed a fair mechanism for promotion.
Customers	<ul style="list-style-type: none"> – Safe and high-quality products and services – Stable relationship – Information transparency – Integrity – Business ethics – Healthy and safety 	<ul style="list-style-type: none"> – Company website, brochures, interim reports, annual reports and announcements – Email and customer service hotline – Feedback forms – Regular meetings – Calling for feedback 	<ul style="list-style-type: none"> – Strengthened quality management to ensure stable service quality, and entered into long-term strategic cooperation agreements.
Suppliers/ Partners	<ul style="list-style-type: none"> – Long-term partnership – Honest cooperation – Fair and open – Information resources sharing – Risk reduction 	<ul style="list-style-type: none"> – Business meetings, supplier conferences, phone calls and interviews – Regular meetings – Review and assessment – Email, circulars and manual – Company website 	<ul style="list-style-type: none"> – Invited tenders publicly to select the best suppliers/ partners, performed contracts obligation according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers/partners
Peer industry / Industry associations	<ul style="list-style-type: none"> – Experience sharing – Corporations – Fair competition 	<ul style="list-style-type: none"> – Industry conferences – Site visit 	<ul style="list-style-type: none"> – Stuck to fair play, cooperated with horizontal to realise win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder	Expectations and Requirements	Communication and Response	Measures
Market regulator	<ul style="list-style-type: none"> – Compliance with the law and regulations – Information disclosures 	<ul style="list-style-type: none"> – Information disclosure – Reports 	<ul style="list-style-type: none"> – Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.
Public and communities	<ul style="list-style-type: none"> – Community involvement – Social responsibilities – Employment promotion – Transparent information disclosure 	<ul style="list-style-type: none"> – Voluntary work – Charity and social investment – Company announcements – Company website 	<ul style="list-style-type: none"> – Gave priority to local people seeking jobs from the Company so as to promote community building and development, protected the communities' ecological environment, and provided timely compensation and assistance.

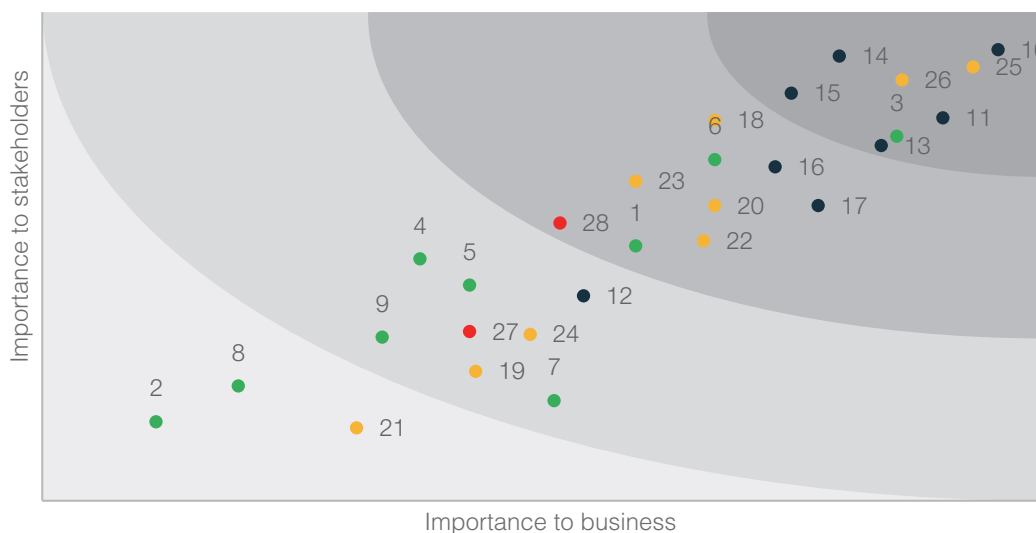
2.3 Materiality Assessment

In order to formulate ESG management policies more effectively, the Group conducts a materiality assessment to identify ESG issues that are important to the business. This materiality assessment is based on an internal stakeholder questionnaire survey, a third-party ESG consultant was commissioned to conduct a questionnaire survey to collect valuable opinions on ESG issues from various departments and business units, and a materiality mapping provided by a renowned external organization¹ was used to identify the Group's ESG-related material issues, which were categorized into four grades of "Extremely important", "Secondarily important", "Highly important" and "Important". This assessment helps us to identify important issues that are closely related to the Group's business operations and identify related risks and opportunities, so that we can make long-term considerations for the Group's sustainable development.

¹ The materiality maps referenced in the materiality assessment are ESG industry Materiality Map from Morgan Stanley Capital International and Sustainability Accounting Standards Board Materiality Map from SASB.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix



Extremely important		Secondarily important		Highly important		Important	
No.	Issues	No.	Issues	No.	Issues	No.	Issues
10	Employment Compliance	18	Operational Compliance	12	Working hours and vacation	21	Responsible marketing and promotion
25	Customer Privacy and Data Protection	16	Labour Management	4	Waste Management	8	Ecological Conservation
26	Business Ethics	6	Water Resources Management	5	Energy Use	2	Vehicle Emissions Management
14	Occupational Health and Safety	17	Prevention of Child Labour and Forced Labour	24	Information Safety		
11	Remuneration and Benefits	20	Compliance Procurement	27	Charity		
3	Greenhouse Gas Emission	23	Intellectual Property Protection	7	Green Office		
15	Training and Development	22	Customer Service Management	19	Quality Management		
13	Diversity and Equal Opportunity	1	Environmental Compliance	9	Tackling Climate Change		
		28	Promotion of Community Development				

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL PROTECTION

3.1 Environmental Targets

The Group is committed to promoting green operations and taking the social responsibility of protecting the environment. For such purpose, the Group formulates and implements the “Environmental Protection Policy”. We had set up the environmental goals at the Year 2021/2022 and the progress of the Year as follows:

Environmental Targets	Process of the Year
For exhaust emissions, we are committed to reducing the use of vehicles and reducing petrol consumption.	Despite the increase in vehicle use and gasoline consumption and the rise in carbon dioxide emissions during the year due to business expansion, we remain committed to our environmental goals. In the future, we will continue to fulfil our commitment to sustainable development by optimizing our travel plans and promoting green transportation.
In order to reduce greenhouse gas emissions, we are committed to reducing energy consumption at all levels of business operations.	The increase in business volume during the year has led to a rise in our demand for electricity and business travel, resulting in higher carbon emissions. We remain committed to reducing greenhouse gas emissions and lowering energy consumption through measures such as optimizing energy efficiency and promoting energy-saving technologies. In the future, we will continue to improve our energy management, promote green and low-carbon development, and fulfil our commitment to environmental protection.
Implement waste reduction at source, strive to reduce waste generated during operation, and actively reuse and recycle.	Encouraging employees to reuse office supplies as much as possible, the amount of non-hazardous waste in the current year was lower than that of the previous year.
Committed to reducing waste of resources such as water, electricity and paper in daily operations.	Reduction in paper consumption compared to previous years through paperless implementation.
Strictly abide by relevant laws and regulations on environmental protection, and review environmental management systems and policies.	The Group was not aware of any material breaches of laws and regulations relating to environmental protection during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Emissions

The Group's major emissions are exhaust, waste, and greenhouse gases ("GHG"), which come from the daily activities of office operations. In order to reduce the various types of emissions produced during our operations, we improve their management and ensure that the emissions comply with relevant statutory requirements including but not limited to the Air Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes of China.

i. Gas Emission

The Group's emissions were mainly from the daily use of fuel for its vehicles. During the Reporting Period, the total consumption of gasoline by the Group's vehicles amounted to approximately 5,605.57 litres. In order to effectively minimize the emissions from the use of vehicles, the Group adopted the following emission reduction measures:

1. Encourage employees to use public transportation as much as possible when going out for meetings or activities, and to use Group vehicles only when necessary, and to reduce the use of private cars.
2. If the destination is close to the company, we encourage our employees to go there by foot instead of using public transportation.
3. Set up video conferencing for both internal and external meetings to allow staff and multiple clients to meet remotely at any time.
4. Regularly check and inflate the tyres to maintain the correct tyre pressure, ensure the smooth operation of vehicles and reduce fuel consumption and emissions.
5. The company publicizes emission reduction measures through various channels and conducts regular environmental training to enhance staff's awareness of environmental protection and sense of responsibility.

During the Reporting Period, emissions are as follows:

Types of Emissions (Note 1)	Units	2024
Nitrogen oxides	kg	7.91
Sulphur oxides	kg	0.08
Particulate matter	kg	0.58

Notes:

- (1) The calculation and emission factors are based on "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange ("Appendix 2").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ii. GHG Emission

The Group's main sources of GHG emissions are direct emissions from the use of vehicles, indirect emissions from the consumption of electricity for office operations and other indirect emissions from the disposal of waste paper. The Group is implementing feasible measures to achieve the target of reducing GHG emissions. During the year, with the Group's active expansion of its business both at home and abroad, there was a significant increase in the demand for travel to meet customers, which led to a simultaneous increase in the use of vehicles and the frequency of business trips, thus increasing greenhouse gas emissions.

During the Reporting Period, GHG emissions are as follows:

GHG ^(Note 1)	Units	2024
Total GHG emissions	tCO ₂ e	55.48
Scope 1: Direct emissions^(Note 2)	tCO ₂ e	14.96
Scope 2: Indirect emissions^(Note 3)	tCO ₂ e	22.55
Scope 3: Other indirect emissions^(Note 4)	tCO ₂ e	17.97
GHG emissions intensity	tCO ₂ e/employee	1.59

Notes:

- (1) The calculation of GHG emissions is based on Appendix 2 and "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" issued by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong. The GHG inventory of the Group include carbon dioxide (CO₂), methane and nitrous oxide. All the GHG emissions data are presented in tonnes of CO₂ equivalent.
- (2) Scope 1 direct emissions include the daily consumption of vehicle fuels of the Group. The emission factors are based on Appendix 2.
- (3) Scope 2 indirect emissions include indirect GHG emissions generated by the purchased electricity of the Group. The emission factors are based on Hong Kong Electric Company, Limited.
- (4) Scope 3 other indirect emissions include other indirect emissions occurring outside the Group, including waste paper disposal and business air travels. The emission factors of methane from waste paper disposal in landfills are based on Appendix 2 and the carbon emissions from business air travels are based on the International Civil Aviation Organisation Carbon Emission Calculator.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

iii. Waste and Wastewater

Due to the nature of the business, the Group does not generate hazardous waste during our daily operations. The main source of the waste in the Group consists of non-hazardous wastes, for instance office paper and other household wastes.

The data of waste generated during the Year is as follows:

Waste		Units	2024
Non-hazardous waste ^(Note 1)	Total amount	tonnes	2.86
	Recycled	tonnes	0.05
	Landfill	tonnes	2.81
	Intensity	tonnes/employee	0.08

Notes:

(1) Non-hazardous waste is estimated based on the Group's daily office operations.

The Group attaches importance to the proper disposal of waste and has formulated an “Environmental Protection System” which clearly sets out how to dispose of various office wastes, set up a waste classification system for recycling purposes, and from time to time, contact the contractor to collect used toner cartridges, and send discarded paper that does not contain any confidential information to the waste paper recycling company for disposal to minimize the generation of wastes. The Group's old computer equipment, if it is still in normal operation, will also be donated to local charitable organisations as a matter of priority on the premise that it will be properly formatted to ensure that there is no leakage of company information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to minimizing the generation of waste and actively promotes and implements environmental protection measures. We encourage our staff to reuse envelopes, loose-leaf folders, file cards and other stationery to minimize resource wastage. Bottled water used in the office will be returned to the supplier after use, who will clean and sanitize the bottles before recycling, thereby reducing the use of single-use plastics. In addition, we are phasing out disposable and non-recyclable products, such as replacing disposable cups and wooden chopsticks with reusable tableware, to further minimize the impact on the environment. In order to reduce the generation of waste at source, the Group regularly assesses the amount of office materials to avoid overstocking and centralizes the handling of files through an electronic office model to reduce the use of paper. We also regularly communicate environmental protection messages to our staff to raise their awareness of environmental protection. In terms of office equipment, we use recyclable toner or ink cartridges and set up printing licenses to count and adjust paper usage. Our computers and printers are equipped with duplex printing and ink-saving modes to enhance resource utilization and achieve the goal of a green office. These measures not only help to reduce waste generation, but also demonstrate the Group's commitment and responsibility to environmental protection.

The Group's office premises are leased and the water supply and drainage systems are centrally managed by property management companies. As there is a direct correlation between the amount of effluent discharged and the amount of water used, the Group has taken a number of specific measures to reduce the amount of water used on a daily basis, thereby indirectly reducing the amount of effluent discharged. For example, water conservation signs are prominently displayed in sanitary rooms to remind staff to minimize water wastage, while water pressure is adjusted to the lowest practicable level through technical means to further optimize water efficiency. Sewage generated by the Group mainly comes from the water used by employees in their daily lives, including drainage from washrooms, pantries and other areas. All wastewater is discharged through the local municipal pipeline system and eventually transported to a sewage treatment plant for centralized treatment to ensure compliance with environmental standards. Through the continuous implementation of water conservation measures, the Group has been able to effectively minimize the consumption of water resources and at the same time make positive contributions to environmental protection and sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Resource Usage

The Group aims and highly focuses on the efficient use of resources in its daily operations. During the Reporting Period, the Group has complied with the relevant laws and regulations on energy use, including but not limited to the Water Pollution Control Ordinance of Hong Kong, the Environmental Protection Law of the People's Republic of China and the Water Pollution Prevention and Control Law of the People's Republic of China.

i. Energy Usage

The primary sources of energy used in the Group include direct energy from daily petrol usage in vehicles and indirect energy from purchased electricity. The Group recognises the importance of conserving electrical energy and aims to enhance environmental awareness and energy conservation among all employees to actively reduce daily office electricity usage. The following strategies are promoted as follows:

Energy Conservation Measures

Office operation

- Use of energy-efficient electronic equipment such as lighting, printers, and air conditioners
- Place reminders of "For electricity savings, please switch off the light when leaving" at prominent places in the office
- Setting Sleep Mode for Electronic Devices

Air conditioning system

- Set the air conditioning to a moderate temperature and switch off if they are not in use
- Clean the filters/fan coils regularly
- Avoid installing air conditioning units under direct sunlight
- Install weather-stripping on doors and windows to prevent conditioned air from leaking out
- Adopt Central Control and Monitoring System (CCMS) or Building Management System (BMS)
- Apply anti-ultraviolet films on windows to reduce heat gain
- Use of energy-efficient air-conditioners and water-cooled air-conditioning systems to reduce power consumption

Lighting system

- Ensuring regular cleaning of lighting fixtures to enhance energy efficiency and implementing independently controlled lighting switches in different lighting zones.
- Reducing the number of light fixtures in areas where the brightness exceeds the required level
- Adopt energy-efficient lighting (e.g. T5 fluorescent lamps and LEDs)

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The increase in the Group's energy usage during the year was mainly due to the increase in the frequency of vehicle usage as a result of increased passenger demand, and the performance of energy consumption is summarized below:

Type of Energy	Units	2024
Total energy consumption	MWh	88.49
Direct energy consumption ^(Note 1)	MWh	54.33
Indirect energy consumption ^(Note 2)	MWh	34.17
Energy consumption intensity	MWh/employee	2.53

Notes:

- (1) The direct energy consumption is calculated based on the actual consumption amount of vehicle fuel consumption. The conversion factors of fuel and energy units are adopted from the "Energy Statistics Manual" issued by the International Energy Agency.
- (2) The indirect energy consumption is calculated based on the actual consumption amount of purchased electricity by the Group for daily operations.

ii. Water Resource Management

The nature of the Group's business dictates that our use of water resources is primarily focused on domestic water use in our day-to-day office operations. As the management of water use in office premises is the responsibility of the building owners, a property management company, we do not have direct access to specific data on water consumption, nor have we encountered any difficulties in obtaining suitable water sources. The only water used on a daily basis is in pantries and restrooms. Nevertheless, the Group has always taken water conservation and environmental protection as an important responsibility and has actively implemented a series of water conservation measures to significantly reduce water consumption in daily life.

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In terms of water conservation management, the Group has implemented a number of specific measures. Firstly, we regularly launch publicity and education campaigns on water conservation for our staff to raise their awareness of water conservation. Secondly, water conservation slogans are prominently displayed in office areas to create an atmosphere of water conservation and encourage staff to practice water conservation in their daily work. In addition, the Group has established a regular inspection mechanism, which includes monitoring water meter readings and checking for hidden leaks to ensure the normal operation of the water consumption system.

In terms of hardware facilities, the Group has adopted advanced water-saving equipment, such as dual-flush toilets and taps with infrared sensors, to minimize unnecessary waste of water resources. In case of damage or leakage of water taps, the Group will immediately report the problem to the property management company for repair, so as to ensure that the problem is solved promptly and to avoid wastage of water resources.

Through these comprehensive measures, the Group has not only effectively reduced its daily water consumption, but has also further strengthened its staff's awareness of environmental protection, thus contributing positively to the realization of its sustainable development goals. In the future, we will continue to explore more innovative ways to save water, further optimize water management and contribute to environmental protection.

iii. Paper and Packaging Materials

The Group has been implementing environmental protection measures during the Reporting Period, in particular, we have achieved significant results in reducing office paper consumption. As the Group is not engaged in manufacturing business and does not use any packaging materials, office paper is one of our major resource consumption. During the Reporting Period, our total consumption of office paper was approximately 183.62kg. In order to further reduce the use of paper, we have adopted a series of measures:

Improve paper utilization

We encourage employees to reuse paper in their daily work, such as using the back side of a document printed on one side for reprinting or as draft paper. In addition, we adjust the default settings of all computers and printers to duplex printing and ink-saving modes to minimize paper and toner consumption. Where possible, we also recommend that staff use smaller fonts or shrink mode to minimize the number of pages, thereby further reducing paper usage.

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Promoting e-Office

We encourage our staff to use electronic tools for office activities as far as possible, and to reduce their reliance on paper documents by transferring information through email and internal communication platforms. At the same time, we have introduced a web-based fax system to effectively screen out junk faxes and reduce unnecessary paper waste.

Paper Recycling and Resource Recovery

We have set up specialized recycling stations in our offices to collect all kinds of paper documents, including waste paper, posters, letters and envelopes. These papers will be collected and sent to professional recycling organizations for treatment to ensure the recycling of resources.

Through these measures, we have not only effectively reduced paper consumption, but also raised our staff's awareness of environmental protection, which further promotes the Group's sustainable development goals. In the future, we will continue to explore more environmental protection initiatives and strive to make further progress in resource conservation and environmental protection.

3.4 The Environment and Natural Resources

The Group is committed to promoting sustainable environmental development and attaches great importance to and is concerned about the impact of its business on the environment and natural resources. Currently, the Group's business operations do not involve any adverse environmental impacts such as soil pollution, soil erosion or biodiversity conservation.

The Group has formulated an environmental protection management system to proactively address environmental issues and minimize the negative impact of its operations on the environment. We adopt measures such as waste separation and disposal, resource conservation (e.g. electricity, water resources and rational use of paper) and promote electronic communications to reduce paper consumption. At the same time, the Group promotes environmental awareness among its employees by donating used equipment and fostering an environmental culture. These initiatives aim to reduce resource consumption and environmental impact, promote sustainable development, enhance the Group's corporate social responsibility image and create a greener and healthier working environment for employees and the community.

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3.5 Tackling Climate Change

Climate change has become a major challenge worldwide today. As the extreme weather events are getting more serious, the Group highly concerned about the impacts of climate change. In order to prepare for and respond to extreme weather events and natural disasters in the future, the Group has identified, prioritised and evaluated the potential climate related risks to the business, so as to determine the level of risk resilience, and actively investigate relevant risk management measures.

In terms of physical risks, extreme weather conditions caused by climate change could lead to potential increases in operating costs and negative impacts on employee safety. The Group recognised that building resilience to climate change is critical to our business. The Group has comprehensive insurance coverage for property and other assets that are susceptible to damage from extreme weather or other physical impacts caused by climate change. For the safety of employees, the Group has established a crisis and emergency management plan and special working arrangements in the “Employee Handbook”. The Group regularly reviews the special working arrangements for adverse weather conditions such as typhoons or rainstorms, and continues to enhance the employee's ability to cope with such conditions in order to ensure safety and maintain smooth operation of our daily business.

The Group has identified several transition risks, such as market risks that the corporate products will be replaced by low-carbon commodities and shifts in consumer preferences. As consumers' expectations for existing products increase, the Group's operating costs for investment in technology development increase. In addition, the Group faces the risk that existing products will encounter tightening obligations and requirements and resulting in an increase in operating costs (such as increased legal liability and compliance costs).

To mitigate the negative impact of climate change on our business in the future, the Group closely monitors international climate governance trends and the relevant policies and regulations relating to our business operations, and identifies, evaluates and monitors various potential climate-related risks and opportunities regularly.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment Practices

The Group regards its employees as the cornerstone of its business operation and development. Therefore, we attach great importance to the training and welfare of our employees and are committed to providing an excellent working environment. The Group offers competitive salary levels and good promotion opportunities to facilitate the career development of our employees and has adopted a series of policies and measures relating to the employment system, safety and health at work, training and development and labour standards with a view to achieving a win-win situation for both the employees and the employers.

We aim to attract and retain talent, ensure a safe and equal working environment for our employees, provide development opportunities and promote the health and well-being of our employees. The Group has developed an Employee Handbook in accordance with the relevant labour laws and regulations. It covers the Group's standards on remuneration and dismissal, recruitment and promotion, working hours, statutory vacations, social insurance and other rights and benefits. The Group strictly complies with the laws and regulations relating to employment and equal opportunities such as the Employment Ordinance of Hong Kong.

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During the Reporting Period, the Group strictly complied with the labour laws and relevant regulations in Hong Kong and was not involved in any employment-related violations that had a material impact on the Group. As at December 31, 2024, the total number of employees was 35 persons. The distribution of employees² is set out below:

Employment Indicators	2024 Number of employees	2024 Percentage in Category
By gender		
Male	18	(51%)
Female	17	(49%)
By age group		
Below 30	6	(17%)
30 – 50	25	(71%)
Above 50	4	(11%)
By geographical regions		
Hong Kong	20	(57%)
Mainland China	9	(26%)
Southeast Asia (Thailand & Singapore)	2	(6%)
East Asia (Japan)	2	(6%)
North America (Canada)	1	(3%)
Western Europe	1	(3%)
By employment type		
Permanent	33	(94%)
Temporary	2	(6%)

² The total number of employees covers the entire Group's employee data, including employees in Hong Kong, Mainland China, Thailand, Singapore, Japan, Canada and Western Europe.

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The total employee turnover rate³ of the Group during the Year was 19%, and its turnover rate by category is as follows:

Turnover Rate Indicators	2024
By gender	
Male	29%
Female	6%
By age group	
Below 30	0%
30 – 50	26%
Above 50	0%
By geographical region	
Hong Kong	15%
Mainland China	11%
Southeast Asia (Thailand & Singapore)	0%
East Asia (Japan & Korea)	0%
North America (Canada & USA)	0%
Western Europe	100%

i. Talent Recruitment and Retention

Employees are the core assets that maintain the competitiveness of an organization and are the key to its success. We provide a fair, just and open talent selection system and continue to improve the system to recruit talent. We formulate recruitment plans and follow the principle of “internal before external” to fill vacancies and provide internal promotion and transfer opportunities for existing staff. We recruit external candidates through job boards, job markets, headhunting companies and employee referrals. We ensure that the process is fair, open and transparent and that candidates are selected based on objective criteria such as work experience, skills, academic background, communication skills and personal qualities.

The Group adheres to the principle of employing people on the basis of both integrity and talent, and uses character, knowledge, ability and performance as the main assessment criteria in order to optimize the use and retention of talents. The Group makes appropriate salary adjustments every year in accordance with the performance of its employees in order to minimize the loss of talent.

³ The total employee turnover rate covers employee data for the entire Group, including employees in Hong Kong, Mainland China, Thailand, Singapore, Japan, Canada and Western Europe.

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ii. Remuneration and Benefits

We offer reasonable and competitive salaries and benefits to employees. Employees are awarded salary adjustments and promotions based on their job performance, as well as progress achievement and the results of performance appraisal. The Group strictly adheres to the relevant regulations in the jurisdictions where its business operates, including, but not limited to, the Hong Kong Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Canada Labour Code, Labour Protection Act of Thailand, Guide on Employment Law of Singapore, Labour Standards Act of Japan. The Group diligently fulfils its obligations by timely contributing to the "Five Insurances and One Fund" (comprising five social insurance schemes: pension insurance, medical insurance, unemployment insurance, maternity insurance, and work-related injury insurance, as well as housing provident fund), mandatory provident fund, and labour insurance as required by law. At the same time, the Group's employees are entitled to additional medical benefits, which may include subsidies for outpatient clinics, Chinese medicine practitioners and hospitalization expenses. In addition to the basic statutory holidays, the Group also provides employees with additional holidays such as marriage and funeral leave, maternity leave, work injury leave, annual leave, family planning leave and paternity leave. We also provide additional benefits to our employees, such as discretionary bonuses, festive gifts or gratuities, long service incentives, compensatory time off or allowances for overtime work as well as subsidies for transportation and business trips, etc., to enhance the sense of belonging to the Company among our employees, to create a good working atmosphere and to strengthen corporate cohesion.

In addition, the Group organises various social activities, such as monthly birthday parties and annual dinners, and more, to enhance cultural exchange among employees and enrich their lives. These activities aim to create a warm and inclusive atmosphere within the company, fostering a sense of unity and boosting employee morale, while also strengthening the overall cohesion of the company.



Employees' Birthday Party

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iii. Equal Opportunity and Diversity

As a company that embraces the value of diversity, we are committed to creating a work environment that is equal, inclusive and respectful for every one of our employees. We understand that a diverse team is the source of innovation and development for a company, therefore we are firmly against any form of discrimination, harassment or unfair treatment. In all aspects of recruitment, training, promotion, transfer, remuneration and benefits, as well as termination of contracts, we strictly follow the relevant laws and regulations of the countries where we operate, including the Employment Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Racial Discrimination Ordinance in Hong Kong, and the Labour Law of the People's Republic of China in China, to ensure that each and every one of our employees enjoys equal career opportunities. The Labour Law of the People's Republic of China ensures that every employee enjoys equal career opportunities. We have formulated and implemented a Personnel Management policy which clearly requires that every employee should be treated fairly in any work process, including recruitment, remuneration packages, training opportunities, job placement, promotion and disciplinary actions. We firmly believe that everyone should enjoy equal rights and opportunities regardless of age, gender, physical condition, marital status, family status, race, skin colour, nationality, religion, political background or sexual orientation.

The Group attaches great importance to the career development of female employees and ensures that they enjoy equal promotion opportunities with men in the workplace. We are committed to ensuring that female employees will not be treated unfairly for legitimate reasons such as pregnancy, maternity leave or breastfeeding and that their basic wage rights will be fully protected. In addition, our office in Thailand actively employs LGBTQ⁴ colleagues to fulfil our commitment to diversity and inclusion in practice. The Group understands that respecting and accommodating minority groups is not only a corporate responsibility, but also an important force for social progress.

The Group will continue its efforts to ensure that every employee can work in an environment free of prejudice, discrimination and differential treatment. We are committed to ensuring that every employee feels respected and supported regardless of their background. We will continue to build an equal, friendly and energetic office environment where every employee can realize his/her self-worth and grow together with the company.

iv. Dismissal Policy

Regarding the policy on employee termination, in cases where an employee's behaviour is deemed severely inappropriate and fails to improve despite repeated warnings, the employee's supervisor and management within the Group will engage in thorough internal discussions before announcing the termination decision. The employee will be given an opportunity to provide explanations and respond to the concerns raised. The reasons for termination will be clearly communicated to the employee. Our termination procedures also comply with applicable laws and regulations.

⁴ LGBTQ covers people who are lesbian, gay, bisexual, transgender, queer, intersex, asexual, and any other non-normative sexual orientation, gender identity, and gender expression not mentioned above.

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v. Employee Communication

We value communication with our employees and understand the importance of caring for them. We believe that maintaining a close relationship with our employees allows us to better understand their needs. Notices and announcements regarding the Company are communicated to employees via intranet, e-mail or other appropriate means. The Group also holds monthly team briefings where employees can raise questions or need for feedback, and managers or supervisors will advise them accordingly. To this end, the corporate framework, culture and other information are communicated to employees upon their commencement of employment. The Group has also established relevant personnel management systems and reporting mechanism management systems.

vi. Working Hours and Rest Periods

The Group has formulated policies based in accordance with relevant regulations in the jurisdictions where we operate, including but not limited to the Employment Ordinance of Hong Kong and the Labour Law of the People's Republic of China, the Canada Labour Code, the Labour Protection Act of Thailand, Guide on Employment Law of Singapore, Labour Standards Act of Japan and Directive on Working Time of European Union. These policies are designed to define employee working hours and rest periods. In cases where employees are required to work overtime, the Group provides financial compensation for overtime work.

4.2 Health and Safety

The health and well-being of our employees is always our top priority. Due to the mainly paper-based nature of the business, there are currently no jobs with high safety risks. However, we recognize that even in an office environment, the health and safety of our employees require constant attention and maintenance. Considering the long hours of computer use by our staff in their daily work, the Group plans to further enhance the publicity and education on office health and safety. Specific measures include promoting the safe use of office equipment, proper working posture, posting safety reminders in the office and providing relevant health and safety information, such as how to prevent common occupational diseases such as eye fatigue and cervical spine problems, as well as how to deal with unexpected safety incidents such as fires. In addition, we will also organize health talks or workshops on a regular basis and invite professionals to provide guidance to our employees, so as to help them establish good working habits and further reduce the risk of injuries or occupational diseases. The Group believes that through these measures, we will not only enhance the health awareness of our employees, but also create a safer and more comfortable working environment, so that every employee can be in the best condition for work and realize the mutual growth of the individual and the enterprise.

The Group encourages employees to undergo occupational health check-ups before and during their employment. These check-ups help in early detection of potential diseases and allow for timely treatment. Additionally, if an employee is found to have contracted an infectious disease, we promptly arrange for their rest and treatment. We also ensure that relevant departments implement isolation protocols and provide vaccinations to employees lacking antibodies. First aid kits are available within the office premises, and we provide labour protection equipment to ensure the well-being of our employees.

Over the past three years (including the current Reporting Period), there was no accident of work-related injuries/fatalities and no lost days due to work injury recorded by the Group. The Group has no violation of the laws and regulations regarding the provision of a safe working environment during the Reporting Period.

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4.3 Development and Training

The Group values the continuous development of employees and strives to enable our employees to grow alongside with the Group. The Group has established a comprehensive training system that outlines the administrative responsibilities of training officers within each department, as well as the related policies. The system offers a wide range of learning and training courses for employees, enabling them to continually update their job knowledge and skills. Besides, we conduct regular internal training sessions covering various topics to deepen our employees' understanding of the Group's business operations and the functioning of each department, to facilitate cross-departmental cooperation, and to give our employees a broader perspective on career planning and personal development.



Employees' Internal Training

In addition to in-house training and subsequent checks and appraisals, the Group also encourages and subsidizes its staff to attend training courses organized by other organizations on a paid basis to enhance their job-related knowledge and skills. Each licensed employee is required to complete his/her continuing professional development courses in accordance with the relevant professional requirements and provide the Company with relevant certificates. According to the Staff Handbook, the Group will provide a training subsidy of at least 30% of the total amount of the training for eligible staff and an annual subsidy of up to \$3,000 for professional qualification fees. In addition, the Staff Handbook sets out the training and development policy for new recruits, including the organization and content of training to help them quickly acquire the necessary knowledge for their work and integrate into the work environment. Training covers a wide range of topics to meet the needs of employees in different departments. During the year, the Group organized training courses related to workplace safety, with the aim of raising employees' safety awareness and ensuring a healthy and safe office environment, as well as reducing the incidence of occupational diseases and accidents. The training covered the proper use of office equipment, how to adjust the working environment and practical advice on the prevention of fire and other safety incidents.

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The following is a summary of training related data for the year are as below:

Training Indicators ⁵	2024
Average number of hours of training (percentage of employees trained)	15 (100%)
By Gender	
Male	18 (100%)
Female	13 (100%)
By employee category	
Senior	19 (100%)
Middle	18 (100%)
Junior	11 (100%)

In order to evaluate employees' working performance and potential effectively, the Group has established a fair and comprehensive competition and promotion environment. We encourage employees to enhance their work quality and capability. Additionally, employees have the opportunity to apply for inter-department transfers based on their individual development needs.

4.4 Labour Standards

The Group strictly complies with the labour law and has a zero-tolerance policy towards the employment of child labour or forced and compulsory labour. We strongly prohibit any practices that violate international standards and relevant laws regarding the employment of minors. Candidates are required to present identity for verification to prevent child labour recruitment. If any instances of employing child labour are discovered, we take immediate action to cease their employment, contact their parents or legal guardians, and arrange for their safe return home at our expense.

The Group bans the employment of forced labour in any way and ensures all job duties are in compliance with labour contracts. It is clearly stated in the labour contracts that employees have the right to refuse any dangerous work arrangement. Our employees can immediately terminate the labour contract and obtain economic compensation if they are forced to perform such job duties by means of violence, threats, or illegal restrictions on personal freedom. The Group will never force employees to work overtime. The Group would compensate those who work overtime with extra pay or additional days off. If labour disputes are found, employees can also reflect and put on record with the Group's Human Resources Department or report to management through the reporting mechanism management system.

During the Reporting Period, no non-compliance regarding child labour, forced or compulsory labour has been recorded by the Group in its operation.

⁵

The training data covers the entire Group, including employees in Hong Kong, Mainland China, Thailand, Japan, Canada and Western Europe.

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5. OPERATIONAL MANAGEMENT

5.1 Supply Chain Management

i. Supplier Selection and Cooperation

The Group firmly believes that building a sustainable supply chain and facilitating close interaction and communication with suppliers can effectively enhance the trust and confidence of customers and other stakeholders in the Group. To this end, we only maintain long-term relationships with suppliers, logistics and banking partners who are creditworthy, have a solid reputation, high-quality products and services and a proven track record. For suppliers, we insist on selecting those with product quality assurance, contractual spirit and business ethics, and conduct comprehensive assessments on factors such as quality of goods, licenses, timeliness of supply and product diversity in order to effectively control social risks in the supply chain. During the year, the Group had a total of 16 suppliers who supplied us with products. The decrease in the number of suppliers as compared to last year was mainly due to the Company's desire to centralize its procurement in order to develop economies of scale, while at the same time effectively reducing its procurement costs and procurement risks.

Supply Indicators	2024
Suppliers by countries/regions	
Hong Kong	11
Korea	4
Singapore	1

ii. Supplier Management Measures

To better control the quality of our services, the Group manages all our suppliers taking into account their Environmental, Social and Governance (ESG) policies. We regularly review the performance of our suppliers and the Group will stop cooperating with those suppliers who do not meet the requirements. During the Reporting Period, the Group was not aware of any supplier non-compliance. The Group's supplier management measures include:

ESG Policy Assessment

- Examine whether the supplier has appropriate environmental, social and governance policies covering emissions, resource use, environment and natural resources, health and safety, staff development and training, prevention of child labor, product responsibility and anti-corruption.

Quality Assessment

- The Group will continue to conduct regular quality inspections as well as unscheduled surprise quality inspections on suppliers' products to ensure that the products and services provided by the suppliers meet the Group's high standards.

Decentralized procurement

- The adoption of decentralized procurement ensures the stability of product supply and reduces risks.

Acceptance criteria and procedures

- Detailed acceptance criteria and procedures for each type of product are established and clearly set out in the procurement contract to ensure strict compliance by the supplier.

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5.2 Product Responsibility

i. Product Responsibility

The Group is committed to providing efficient and quality services to our customers. Our goal is to give our customers confidence in our services and provide them with sufficient information to make informed choices. In order to enhance the quality of our services, the Group conducts on-site and regular visits to gain a better understanding of the actual needs and development objectives of our customers. Through the establishment of long-term good relationships with customers, the Group effectively supports the economic development of the regions in which it operates and indirectly facilitates employment in the regions in which it operates. At the same time, the Group actively obtains customer feedback, such as telephone feedback, to ensure that customer feedback is effectively collected and processed. During the Reporting Period, the Group did not receive any record of product safety-related recalls and customer complaints.

In addition to pre-sale product selection and supply chain management, the Group categorizes accidents that endanger public health and safety that occur after the supply and sale of products into general, major and serious accidents according to the actual circumstances of the accidents. According to the classification of accidents, the persons in charge of the Group's functions at all levels are required to take timely actions to minimize the risks and hazards to the social groups.

Rankings of product liability incidents	Allocation of responsibility by positions
General	To be handled under the authorisation and instruction of the person in charge of the relevant business department
Significant	To be handled jointly by the person in charge of the relevant business department and the Group management
Severe	To be handled by a joint team formed by the Group management and insurance company

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ii. Quality Control

The health and safety of our customers is always our top priority, and full compliance with product responsibility is one of the core elements of our operations. To ensure product quality and safety, we have adopted a series of stringent measures, especially in the areas of supplier management, quality control and after-sales service.

Supplier Selection and Audit

The Group rigorously examines the qualifications of suppliers to ensure that they possess legal Business Licenses and relevant regulatory support documents. We only select suppliers who are able to provide high-quality genuine goods and ensure that their qualifications meet our high standards by evaluating various factors such as suppliers' audit reports, product quality status and the effectiveness of their quality assurance systems. For suppliers with recurring quality problems, we will conduct in-depth audits to assess their overall quality system and propose deadline improvement requirements to ensure continuous improvement of product quality.

Product Quality Inspection

As different products are subject to different quality control standards, the Group has established stringent quality inspection procedures to ensure that all products comply with relevant laws and regulations and internal quality standards. We have entered into agreements with our suppliers containing quality assurance requirements to ensure that every step of the process, from raw materials to finished products, is subject to stringent quality control. In addition, we regularly review our suppliers to ensure that they continue to meet our quality requirements.

After-sales Service

If a customer has doubts about the quality of a product, the Sales Management Department will fully cooperate with the customer to conduct an investigation and ensure that the problem is solved in a timely manner. In order to protect the health and safety of our customers, the Group has established a comprehensive return and exchange process. Returned and exchanged products are mainly categorized into quality and non-quality reasons, and all returned and exchanged products are subject to stringent approval and authentication procedures. For products returned or exchanged due to quality issues, we will conduct a comprehensive analysis to assess whether other batches of products are involved and decide whether it is necessary to recall the relevant batches of products. For returned products that do not meet the quality requirements, the Group will conduct a recall process. Products that are confirmed to have deteriorated or failed will be destroyed and scrapped to ensure that they will not enter the market.

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Legal Compliance and Product Liability

The Group strictly complies with the product liability provisions of the Product Quality Law of the People's Republic of China, the Administrative Regulations of Shenzhen Special Economic Zone on Product Quality, the Labour Standards Act of Thailand, Japan and Korea, the Consumer Protection (Fair Trading) Act of Singapore, and the Directive on Liability for Defective Products of European Union and other laws and regulations. During the Reporting Period, the Group was not aware of any cases of violation of laws and regulations relating to product liability, nor was there any recall of products due to safety or health concerns. In addition, the Group did not receive any complaints about its products or services, nor was there any case of leakage, theft or loss of customer information.

The Group is committed to improving product quality and service standards to ensure the health and safety of our customers. Through stringent supplier management, a quality control system and a customer complaint handling mechanism, we ensure that our products meet the highest standards from production to sales. In the future, we will continue to strengthen our product quality management and enhance customer satisfaction to ensure that every customer can enjoy safe and reliable products and services, thereby further strengthening our reputation and competitiveness in the market.

iii. Privacy Protection and Intellectual Property Rights

The Group takes the privacy of its customers, internal employees, data and external partners and suppliers seriously. We have developed confidentiality guidelines for internal and external parties to demonstrate the Group's strong commitment to privacy.

The Group handles a large amount of data involving third parties. The Group firmly believes that information security and privacy are key principles of its operations. The Group requires all employees to sign an employee confidentiality undertaking acknowledging receipt of information and agreeing to their duties and obligations to protect customer information and its confidentiality. In addition, information may only be used for authorized business activities. If an employee discloses such information to another party, it is considered data theft. The relevant employees will be held liable accordingly.

During the Reporting Period, no violation of laws and regulations relating to privacy protection and intellectual property rights has been identified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 Anti-corruption

i. Anti-corruption Policy

The Group upholds corporate governance, requiring all employees to perform their jobs with integrity, business ethics and proper conduct, never tolerate any form of corruption or bribery, should ensure that transactions with customers, suppliers, contractors, job applicants, colleagues or any other third parties are subject to good judgment, seriously comply with all applicable laws and regulations, and always maintain the highest standards of integrity.

The Group always adheres to the principle of operating with integrity, strictly complies with the Prevention of Bribery Ordinance in Hong Kong, and has formulated and implemented an Anti-Corruption Policy, which strives to incorporate anti-corruption policies and control procedures into all aspects of the Group's operations. The policy strictly prohibits any form of bribery or corruption, including but not limited to gifts, credit cards, cash vouchers, free journeys or travel expenses, and valuables of all kinds, and provides guidelines on the acceptance of gifts, hospitality and gratuities by employees, as well as the related vetting and approval procedures. To ensure effective implementation of the policy, internal monitoring, bribery and corruption risk assessments are conducted regularly within the Group to identify and prevent potential risks. The Company participates in and encourages its employees to support charitable activities, subject to compliance with relevant laws and regulations and to ensure that charitable donations do not influence any business decisions and that there is no conflict of interest between an employee's membership of a society and his/her status as an employee. Employees must not represent or purport to represent the Company in any social or political forum or use the Company's brand, time or assets to further the interests of any social or political party or group.

During the Reporting Period, the Group rigidly abided by laws and regulations in respect of anti-corruption, bribery, extortion, fraud and money laundering, such as the Anti-Money Laundering Law of the People's Republic of China, China's Efforts to Combat Corruption and Build a Clean Government, Prevention of Bribery Ordinance of Hong Kong, Foreign Corrupt Practices Act of United States of America, Corruption of Foreign Public Officials Act of Canada, Anti-Corruption Act of Thailand, Japan Penal Code and Directive on the Fight against Fraud of European Union. Regarding the aforesaid laws and regulations, the Company has developed the "Anti-Money Laundering Policy". This policy mandates that business department employees, before commencing business dealings with potential customers, thoroughly understand their background by reviewing documents and engaging in communication, following relevant internal guidelines. The Group's financial management department also collects information on the income usage, repayment fund sources, and business status of existing customers to manage risks. They regularly update this information and promptly report any abnormal findings to senior management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To further enhance staff's integrity awareness and professional conduct, staff are required to receive regular anti-corruption and internal control training to strengthen their knowledge and understanding of the Code of Conduct and related policies. For example, reading the legislation and related compliance requirements before the commencement of staff recreational activities to raise awareness of corruption risk prevention, to enhance staff's professional conduct and to learn the corruption prevention and integrity guidelines to be observed when dealing with public officers. In addition, the Group's Employee Handbook also mentions the basic anti-corruption standards, stating that employees are required to make appropriate adjustments to their interests. For example, employees are not allowed to take advantage of their official position to obtain any improper personal benefits when selecting suppliers, or they are required to recuse themselves from dealing with business involving the interests of their relatives and report the same as required. During the year, the group organized an hour-long anti-corruption policy training for all 8 directors, including the company's anti-corruption management system and whistleblowing system. The Group promotes a corporate culture of honesty and integrity, encourages all employees to actively report incidents of corruption within the Group and implement open investigation procedures to protect relevant employees from retaliation. In order to foster a culture of openness, accountability and integrity, the Group will handle or discipline employees who violate disciplinary requirements, and where corruption or other criminal offences are suspected, the Group will file a report with the applicable authorities. During the Reporting Period, the Group did not have any concluded corruption litigation cases.

ii. Reporting mechanism management system

In order to prevent corruption incidents, the Group has formulated and implemented "Reporting Mechanism Management System" that allows all employees to report through channels such as mailboxes and emails. The Group ensures strict confidentiality for all reports and guarantees that the identity of the reporting employee will not be disclosed without their consent, except when legally obligated to do so. Whistle-blowers are protected from punishment or unfair treatment for making good-faith disclosures. To foster an open, responsible, and honest culture, the Group takes appropriate actions or disciplinary measures against employees who violate disciplinary regulations. In cases involving suspected corruption or other criminal offenses, the Group reports to the relevant authorities. As of the Reporting Period, the Group has no concluded corruption litigation cases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. COMMUNITY INVESTMENT

The Group deeply recognizes the importance of contributing to society and actively fulfils its corporate social responsibility by paying attention to the needs of the underprivileged and different special groups in the society, and spares no effort to help the community in order to contribute to society. The Group provides job opportunities for persons with disabilities and gives priority to employing persons with disabilities and suppliers participating in relevant support programs. The Group encourages its staff to participate in community activities and contribute to society in different ways, to contribute to a harmonious and sustainable society.

Case Study 1 –Business Exchanges to Promote Cooperation

On October 29, 2024, Yunnan Baiyao participated in the 14th International Business Exchange Exhibition for Foreigners in Japan and the 9th SME Service Exhibition in Japan held in Tokyo, and the Group's Japanese subsidiary was invited to participate in the exhibition. In this exhibition, the Group displayed food products such as "Hualao candy", hawthorn sticks and mushroom soup, health food products such as medical jelly, and medical products such as neck rest to the consumers. Consumers at the exhibition showed strong interest in Yunnan Baiyao's related products and attracted some local partners in Japan who wished to cooperation with Yunnan Baiyao. The Group will continue to follow up and provide services, and strive to achieve cooperation to promote mutual learning and cultural exchange between Chinese and Japanese products.



Yunnan Baiyao Exhibitor Booth



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case Study 2 –Promote the culture of traditional Chinese medicine and convey the core concept of the brand.

Yunnan Baiyao participated in the Hong Kong Celebration of Reunification activities held from June 29 to July 2, 2024, in the scene we carefully set up booth decoration and designed promotional posters, successfully attracting a large number of audience's attention. The booth was arranged in a style combining modernity and tradition, fully demonstrating the brand image and cultural heritage of Yunnan Baiyao. At the exhibition, we highlighted the core products of the Yunnan Baiyao series, including the well-received toothpaste, capsules and aerosols, which won wide attention and recognition from the visitors at the show due to their excellent quality and significant efficacy. At the same time, we also launched our Chinese Medicine Resource Series of Panax ginseng powder and Dangshen powder, which attracted many health-conscious consumers with their natural and healthy properties. In addition, products such as masks and serums of the Cai Zhi Ji Skin Care Series were also well welcomed, and their unique formulas and remarkable effects were highly appreciated by the audience.

Through this event, Yunnan Baiyao not only successfully promoted brand awareness, but also further consolidated its good image in the minds of consumers. Through on-site interaction, product experience and detailed explanations, we allowed more visitors to gain a deeper understanding of the advantages of Yunnan Baiyao's products and brand concept. The exhibition is not only a show of products and technology, but also an important opportunity to establish a deep connection between Yunnan Baiyao and consumers, laying a solid foundation for future market expansion!



Yunnan Baiyao exhibition booth

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case Study 3 –Expanding into Overseas Markets

During the year, Yunnan Baiyao continued to seek development opportunities in overseas markets and made significant progress. In the Japanese market, the company's "Hualao candy", which is rich in natural vitamin C and sugar-free, was successfully introduced into a number of speciality stores in Tokyo, which were favoured by consumers and contributed to the cultural connection. Meanwhile, the Group has been actively expanding its presence in the Hong Kong and Macau markets by setting up a YNBY online store in HKTV mall, the largest online shopping platform in Hong Kong, to provide high-quality Yunnan Baiyao series of products to Hong Kong and Macau consumers. With its outstanding performance in customer rating, packaging quality and on-time delivery, the YNBY Online Shop has been awarded as a five-star merchant by HKTV mall, which fully reflected the high standards and strict requirements of Yunnan Baiyao in terms of service quality and product quality. The Group has also deeply cultivated the Southeast Asian market by opening local directly-managed stores and cross-border brand stores in Singapore's e-commerce platforms Lazada and Shopee, which further consolidates regional channel construction, enriches consumers' purchasing channels, and injects a new momentum into the brand's globalization layout.



"Hualao candy" has attracted great interest in the Japanese market.



Yunnan Baiyao has entered into Hong Kong's largest shopping platform – HKTV Mall.



Yunnan Baiyao joins Singapore e-commerce platform

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. APPENDIX: CONTENT INDEX OF “ ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

Key Scope, Dimensions, General Disclosures and Key Performance Indicators		Corresponding Section	Pages
Environment			
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.	Environmental Targets; Emission	P52, P53-P56
KPI A1.1	The types of emissions and respective emissions data.	Emission	P53-P56
KPI A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions and intensity.	Emission	P54
KPI A1.3	Total hazardous waste produced and intensity.	Emission	P55
KPI A1.4	Total non-hazardous waste produced and intensity.	Emission	P55
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets; Emission	P52, P53-P56
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.	Environmental Targets; Emission	P55-P56
A2: Resource Usage			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Targets; Resource Usage	P52, P57-P60
KPI A2.1	Direct and / or indirect energy consumption by type in total and intensity.	Resource Usage	P58
KPI A2.2	Water consumption in total and intensity.	Resource Usage	P58
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Resource Usage	P52, P57-P58
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.	Environmental Targets; Resource Usage	P52, P58-P59
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Resource Usage	P59-P60

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Scope, Dimensions, General Disclosures and Key Performance Indicators		Corresponding Section	Pages
A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources	P60
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	P60
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.	Tackling Climate Change	P61
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.	Tackling Climate Change	P61
Social			
Employment and Labour Practices			
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, anti-discrimination, and other benefits and welfare.	Employment Practices	P61-P66
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Practices	P62
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Practices	P63

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Scope, Dimensions, General Disclosures and Key Performance Indicators		Corresponding Section	Pages
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	P66
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	P66
KPI B2.2	Lost days due to work injury.	Health and Safety	P66
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	P66
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P67-P68
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training	P68
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training	P68
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.	Labour Standards	P68
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	P68
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	P68

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Scope, Dimensions, General Disclosures and Key Performance Indicators		Corresponding Section	Pages
Operating Practices			
B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P69
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	P69
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management	P69
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	P69
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	P69
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	P70-P72
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility	P70
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility	P70-P71
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	P72
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	P70-P71
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility	P72

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Scope, Dimensions, General Disclosures and Key Performance Indicators		Corresponding Section	Pages
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	P73-P74
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	P74
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	P73-P74
KPI B7.3	Description of anti-corruption training provided to directors and employee.	Anti-corruption	P73-P74
Community			
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	P75-P77
KPI B8.1	Focus areas of contribution. (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	P75-P77
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	P75-P77

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YNBY INTERNATIONAL LIMITED

雲白國際有限公司

(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of YNBY International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 151, 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 ended 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 ended 31 December 2024 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

A matter identified related to the nine month ended 31 December 2023

Insufficient accounting records of Wan Long Xing Ye Commercial Trading (Shenzhen) Limited ("Wan Long Shenzhen")

As advised by the board of directors, since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen's accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the "Specific Records").

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION (CONTINUED)

A matter identified related to the nine month ended 31 December 2023 (CONTINUED)

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the nine months ended 31 December 2023, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Extract of Statement of Profit or Loss and Other Comprehensive Income

	For the nine months ended 31 December 2023 HK\$
Revenue	–
Cost of sales	–
Other income, gains and losses	22,815,913
Selling and distribution expenses	(2,780)
Administrative expenses	(35,527)
Income tax credit	23,579

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the nine months ended 31 December 2023.

During the nine months ended 31 December 2023, Wan Long Shenzhen was disposed of in December 2023, gain on disposal of approximately HK\$137,542,825 was recognised in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and as disclosed in note 36 to the consolidated financial statements of the Group.

As a result of the matters mentioned above, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the gain arisen from the disposal of Wan Long Shenzhen included in the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2023 and other related disclosure notes in relation to the disposal of Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

TRADE RECEIVABLES

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$114,871,673 as at 31 December 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the matter described above. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report 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 HKSA's 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Lee Chi Sum

Audit Engagement Director

Practising Certificate Number P08391

Hong Kong, 14 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Revenue	8	754,930,252	578,741,466
Cost of sales		(688,915,550)	(529,136,617)
Gross profit		66,014,702	49,604,849
Other income, gains and losses	9	(111,573)	135,974,567
Net reversal of allowance for expected credit losses	12	327,956	904,402
Selling and distribution costs		(8,596,999)	(5,142,193)
Administrative expenses		(31,029,064)	(31,468,076)
Profit from operations		26,605,022	149,873,549
Finance costs	10	(2,715,935)	(3,466,672)
Share of loss of a joint venture		(5,334)	(1,353)
Profit before tax		23,883,753	146,405,524
Income tax expense	11	(5,763,482)	(2,671,852)
Profit for the year/period	12	18,120,271	143,733,672
Attributable to:			
Owners of the Company		18,120,271	143,744,973
Non-controlling interests		–	(11,301)
		18,120,271	143,733,672
Earnings per share	14		
Basic (HK cents per share)		0.27	2.11
Diluted (HK cents per share)		0.23	1.67

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Profit for the year/period	12	18,120,271	143,733,672
Other comprehensive (expenses)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of exchange reserve upon deconsolidation of subsidiaries	37	–	(2,007)
Release of exchange reserve upon disposal of a subsidiary	36	–	(16,186,412)
Exchange differences on translation of foreign operations		(1,334,634)	4,494,603
Total comprehensive income for the year/period		16,785,637	132,039,856
Attributable to:			
Owners of the Company		16,785,637	132,113,633
Non-controlling interests		–	(73,777)
		16,785,637	132,039,856

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK\$	2023 HK\$
Non-current assets			
Property, plant and equipment	17	3,116,483	3,820,705
Right-of-use assets	18	10,362,478	14,235,984
Investment in a joint venture	19	10,593	15,927
		13,489,554	18,072,616
Current assets			
Inventories	20	7,019,811	39,747,819
Trade receivables	22	114,871,673	110,344,093
Loan and interest receivables	23	–	–
Other receivables, deposits and prepayments	24	11,327,644	13,709,416
Amount due from a joint venture	25	–	68,455
Tax recoverable		8,789,697	8,960,179
Cash and cash equivalents	26	212,482,172	199,324,292
		354,490,997	372,154,254
Current liabilities			
Trade and other payables	27	61,272,089	79,368,810
Contract liabilities	28	1,791,573	4,286,288
Amount due to a shareholder	29	30,946,177	17,447,343
Bank borrowings	30	2,159,734	17,655,760
Convertible bond	31	–	13,024,059
Lease liabilities	32	3,937,541	3,577,988
		100,107,114	135,360,248
Net current assets		254,383,883	236,794,006
Total assets less current liabilities		267,873,437	254,866,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK\$	2023 HK\$
Non-current liabilities			
Lease liabilities	32	6,432,959	10,211,781
Other payables	27	1,500,000	1,500,000
		7,932,959	11,711,781
NET ASSETS		259,940,478	243,154,841
Capital and reserves			
Share capital	33	67,999,142	67,999,142
Reserves		191,941,336	175,155,699
Equity attributable to owners of the Company		259,940,478	243,154,841
Non-controlling interests		–	–
TOTAL EQUITY		259,940,478	243,154,841

Approved by:

Dong Ming
Director

Tang Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

Attributable to owners of the Company									
	Share capital	Share premium account	Capital redemption reserve	Convertible bond reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2023	67,999,142	1,085,013,367	176,000	56,168,231	10,512,532	(1,108,828,064)	111,041,208	2,262,089	113,303,297
Profit/(loss) for the period	-	-	-	-	-	143,744,973	143,744,973	(11,301)	143,733,672
Release of exchange reserve upon deconsolidation of subsidiaries	-	-	-	-	(2,007)	-	(2,007)	-	(2,007)
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	(16,186,412)	-	(16,186,412)	-	(16,186,412)
Exchange difference arising on translating foreign operations	-	-	-	-	4,557,079	-	4,557,079	(62,476)	4,494,603
Total comprehensive (expenses)/income for the period	-	-	-	-	(11,631,340)	143,744,973	132,113,633	(73,777)	132,039,856
Deregistration of subsidiaries	-	-	-	-	-	-	-	(2,188,312)	(2,188,312)
At 31 December 2023	67,999,142	1,085,013,367	176,000	56,168,231	(1,118,808)	(965,083,091)	243,154,841	-	243,154,841
At 1 January 2024	67,999,142	1,085,013,367	176,000	56,168,231	(1,118,808)	(965,083,091)	243,154,841	-	243,154,841
Profit for the year	-	-	-	-	-	18,120,271	18,120,271	-	18,120,271
Exchange difference arising on translating foreign operations	-	-	-	-	(1,334,634)	-	(1,334,634)	-	(1,334,634)
Total comprehensive (expenses)/income for the year	-	-	-	-	(1,334,634)	18,120,271	16,785,637	-	16,785,637
At 31 December 2024	67,999,142	1,085,013,367	176,000	56,168,231	(2,453,442)	(946,962,820)	259,940,478	-	259,940,478

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Cash flows from operating activities		
Profit before tax	23,883,753	146,405,524
Adjustments for:		
Depreciation – property, plant and equipment	898,849	438,193
Depreciation – right-of-use assets	4,145,783	3,811,014
Loss on write-off of property, plant and equipment	18,598	–
Loss on disposal of property, plant and equipment	–	150,815
Share of net loss of a joint venture	5,334	1,353
Gain on deconsolidation of subsidiaries	–	(2,007)
Gain on disposal of a subsidiary	–	(137,542,825)
Reversal of allowance for expected credit losses on other receivables	–	(4,402)
Reversal of allowance for expected credit losses on loan and interest receivables	(327,956)	(900,000)
Finance costs	2,715,935	3,466,672
Bank interest income	(287,763)	(246,700)
Impairment loss on inventories	95,591	–
Exchange difference	587,552	2,160,927
Operating cash flows before working capital changes	31,735,676	17,738,564
Change in inventories	32,630,700	10,821,196
Change in trade receivables	(6,229,228)	(38,494,720)
Change in loan and interest receivables	327,956	900,000
Change in other receivables, deposits and prepayments	2,351,786	10,540,073
Change in trade and other payables	(16,914,079)	42,087,982
Change in contract liabilities	(2,489,031)	4,284,263
Change in amount due to a shareholder	–	54,452
Cash generated from operations	41,413,780	47,931,810
Income tax paid	(5,618,240)	(2,091,681)
Net cash flows generated from operating activities	35,795,540	45,840,129

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Cash flows from investing activities			
Bank interest received		287,763	246,700
Repayment from/(advance to) a joint venture		68,455	(7,255)
Net cash outflow from disposal of a subsidiary	36	–	(40,853)
Purchases of property, plant and equipment		(215,061)	(3,694,181)
Net cash flows generated from/(used in) investing activities		141,157	(3,495,589)
Cash flows from financing activities			
Interest paid		(739,994)	(400,685)
New bank borrowing raised		2,159,734	17,606,304
Repayments of bank borrowings		(17,491,918)	–
Capital element of lease liabilities paid		(3,690,975)	(2,844,435)
Change in amount due to a shareholder		(1,500,000)	(15,000,000)
Net cash flows used in financing activities		(21,263,153)	(638,816)
Net increase in cash and cash equivalents		14,673,544	41,705,724
Effect of foreign exchange rate changes		(1,515,664)	(1,385,389)
Cash and cash equivalents at beginning of year/period		199,324,292	159,003,957
Cash and cash equivalents at end of year/period		212,482,172	199,324,292
Analysis of cash and cash equivalents			
Bank and cash balances		212,482,172	199,324,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

The Company was incorporated in the Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 32/F, Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Yunnan Baiyao Group Co., Limited ("Yunnan Baiyao"), a company incorporated in China and listed on The Shenzhen Stock Exchange, is the ultimate holding company of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities.

2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 13 October 2023, the Company's financial year end date had been changed from 31 March to 31 December commencing from the financial period from 1 April 2023 to 31 December 2023 in order to enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. Accordingly, the consolidated financial statement for the current year covers the twelve months ended 31 December 2024. The comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the figures of the financial period from 1 April 2023 to 31 December 2023 which may not be comparable with the amounts shown for the current year.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest dollar except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Consolidation (CONTINUED)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are 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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (CONTINUED)

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (CONTINUED)

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Furniture and fixtures	25.0-33.3%
Computer equipment	33.3%
Leasehold improvement	20.0%
Motor vehicles	16.7%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	25.0-50.0%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade receivables, loan and interest receivables and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand with banks.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Convertible bonds

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Convertible bonds (CONTINUED)

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible loans issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible loans issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (CONTINUED)

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees’ relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People’s Republic of China (the “PRC”). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except inventories and receivables 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 asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, loan and interest receivables, other receivables and deposits, amount due from a joint venture, cash and cash equivalents, trade and other payables, convertible bond, bank borrowings, lease liabilities and amount due to a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The carrying amounts of bank balances, trade receivables, loan and interest receivables, other receivables and deposits and amount due from a joint venture included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from a joint venture is closely monitored by the directors.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

A quantitative disclosures in respect of the Group's exposure to credit risk arising trade receivables are set out in notes 22 to the consolidated financial statements.

The Group is subject to the credit risk from the recoverability of loan and interest receivables and other receivables and deposits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (CONTINUED)

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Loan and interest receivables

In order to minimise the credit risk arising from money lending business, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The team monitors customers' repayment ability, requests the customers to provide collaterals and reviews the fair value of the collaterals. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (CONTINUED)

Loan and interest receivables (CONTINUED)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 4% (2023: 4%) of the total loan and interest receivables as at 31 December 2024 was due from the largest borrower from the money lending segment and 21% (2023: 21%) of the total loan and interest receivables as at 31 December 2024 was due from the five largest borrowers from the money lending segment.

	12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit- impaired)	Total
At 31 December 2024				
ECL rate	0.00%	0.00%	100%	100%
Gross carrying amount (HK\$)	–	–	476,547,811	476,547,811
Lifetime ECL (HK\$)	–	–	(476,547,811)	(476,547,811)
	–	–	–	–
	12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit- impaired)	Total
At 31 December 2023				
ECL rate	0.00%	0.00%	100.00%	100.00%
Gross carrying amount (HK\$)	–	–	476,875,767	476,875,767
Lifetime ECL (HK\$)	–	–	(476,875,767)	(476,875,767)
	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (CONTINUED)

Loan and interest receivables (CONTINUED)

Movement of allowance for ECL is as follows:

	12m ECL HK\$	Lifetime ECL (not credit impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2023	–	–	477,775,767	477,775,767
Reversal of allowance for ECL	–	–	(900,000)	(900,000)
At 31 December 2023 and 1 January 2024	–	–	476,875,767	476,875,767
Reversal of allowance for ECL	–	–	(327,956)	(327,956)
At 31 December 2024	–	–	476,547,811	476,547,811

Trade receivables

The Group has concentration of credit risk as 26% (2023: 24%) and 69% (2023: 55%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively at 31 December 2024.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (CONTINUED)

Trade receivables (CONTINUED)

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

	Within 90 days	91–180 days	181–365 days	Over 365 days	Total
At 31 December 2024					
ECL rate	0%	0%	0%	0%	
Gross carrying amount (HK\$)	111,298,165	3,573,508	–	–	114,871,673
Lifetime ECL (HK\$)	–	–	–	–	–
					114,871,673

	Within 90 days	91–180 days	181–365 days	Over 365 days	Total
At 31 December 2023					
ECL rate	0%	0%	0%	0%	
Gross carrying amount (HK\$)	101,650,176	8,693,917	–	–	110,344,093
Lifetime ECL (HK\$)	–	–	–	–	–
					110,344,093

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach ECL, is as follows:

	HK\$
At 1 April 2023	12,528,824
Disposal of a subsidiary (Note 36)	(12,069,197)
Exchange realignment	(459,627)
At 31 December 2023, 1 January 2024 and 31 December 2024	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (CONTINUED)

Other receivable

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The Group has not recognised any impairment loss (2023: reversal of impairment loss of HK\$4,402) in respect of other receivables for the year ended 31 December 2024. The expected credit loss rate for other receivables is nil (2023: nil). The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The movement of loss allowance for ECL on other receivables is as follows:

	12m ECL HK\$	Lifetime ECL (not credit impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2023	–	–	675,501,320	675,501,320
Reversal of allowances for ECL	–	–	(4,402)	(4,402)
Disposal of a subsidiary (Note 36)	–	–	(363,872,819)	(363,872,819)
Exchange realignment	–	–	(12,799,366)	(12,799,366)
At 31 December 2023, 1 January 2024 and 31 December 2024	–	–	298,824,733	298,824,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings and issuance of new shares.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2024

	On demand or less than 1 year HK\$	1 -5 years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amounts HK\$
Trade and other payables	61,272,089	1,500,000	62,772,089	62,772,089
Amount due to a shareholder	30,946,177	–	30,946,177	30,946,177
Bank borrowings	2,210,911	–	2,210,911	2,159,734
Lease liabilities	4,247,699	6,647,632	10,895,331	10,370,500
	98,676,876	8,147,632	106,824,508	106,248,500

At 31 December 2023

	On demand or less than 1 year HK\$	1 -5 years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amounts HK\$
Trade and other payables	79,368,810	1,500,000	80,868,810	80,868,810
Amount due to a shareholder	17,447,343	–	17,447,343	17,447,343
Bank borrowings	18,059,948	–	18,059,948	17,655,760
Convertible bond	15,000,000	–	15,000,000	13,024,059
Lease liabilities	4,027,429	10,732,661	14,760,090	13,789,769
	133,903,530	12,232,661	146,136,191	142,785,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group's interest-bearing bank deposits, convertible bond, lease liabilities and bank borrowings bear interest at fixed interest rate and therefore are subject to fair value interest rate risks. The interest rate and repayment terms of the convertible bond and bank borrowings outstanding at the year end are disclosed in note 31 and note 30 to the consolidated financial statements respectively.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's profit for the period to a reasonable change in the interest rate is assessed to be immaterial.

(d) Currency risk

(i) Exposure to currency risk

The Group has sales and purchases denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group's sales and purchases are principally transacted in the HK\$, United States dollars ("USD") and Renminbi ("RMB"). Expenses incurred are generally denominated in HK\$ and RMB, which are the functional currencies of the group entities operating in Hong Kong and the PRC, respectively. The currency giving rise to this risk is primarily USD, RMB, Euro ("EUR"), Japanese yen ("JPY"), Swiss franc ("CHF") and Singapore dollar ("SGD") (2023: USD, RMB, EUR, JPY, CHF and SGD). The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the major monetary assets and monetary liabilities denominated in a foreign currency, other than the functional currencies of the respective group entities, at the end of the reporting period are as follows:

At 31 December 2024

	Exposure to foreign currencies (expressed in HK\$)					
	USD	RMB	EUR	JPY	CHF	SGD
Trade receivables	28,625,585	13,005,732	418,387	-	-	-
Other receivables and deposits	4,873,247	349,745	-	-	-	-
Cash and cash equivalents	29,774,238	3,070,496	1,748,195	73,601	189,866	1,429
Trade and other payables	(1,265,678)	(7,212,330)	-	-	-	-
	62,007,392	9,213,643	2,166,582	73,601	189,866	1,429

At 31 December 2023

	Exposure to foreign currencies (expressed in HK\$)					
	USD	RMB	EUR	JPY	CHF	SGD
Trade receivables	12,423,606	639,363	-	-	-	-
Other receivables and deposits	6,755,446	502,955	-	-	-	-
Cash and cash equivalents	38,292,183	6,788,836	954,161	1,156,418	188,829	383,164
Trade and other payables	(1,706,534)	(4,042,099)	-	-	-	(424,862)
	55,764,701	3,889,055	954,161	1,156,418	188,829	(41,698)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (CONTINUED)

(ii) Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Group. 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 rates. The sensitivity analysis includes only outstanding monetary items denominated in a foreign currency and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis excludes balances which are denominated in the USD for entities with HK\$ as their functional currencies since the USD are pegged to HK\$.

	As at 31 December 2024		As at 31 December 2023	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax
RMB	5% (5%)	384,670 (384,670)	5% (5%)	162,368 (162,368)
EUR	5% (5%)	90,455 (90,455)	5% (5%)	39,836 (39,836)
JPY	5% (5%)	3,073 (3,073)	5% (5%)	48,280 (48,280)
CHF	5% (5%)	7,927 (7,927)	5% (5%)	7,884 (7,884)
SGD	5% (5%)	60 (60)	5% (5%)	(1,741) 1,741

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group's profit after tax and equity measured in the respective functional currencies, translated in to HK\$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

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. The analysis is performed on the same basis for 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2024 HK\$	2023 HK\$
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)		
– Trade receivables	114,871,673	110,344,093
– Loan and interest receivable	–	–
– Financial assets included in other receivables and deposits	10,217,367	11,599,943
– Amount due from a joint venture	–	68,455
– Cash and cash equivalents	212,482,172	199,324,292
	337,571,212	321,336,783
Financial liabilities:		
Financial liabilities measured at amortised cost		
– Financial liabilities included in trade and other payables	62,772,089	80,868,810
– Amount due to a shareholder	30,946,177	17,447,343
– Bank borrowings	2,159,734	17,655,760
– Convertible bond	–	13,024,059
– Lease liabilities	10,370,500	13,789,769
	106,248,500	142,785,741

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

8. REVENUE

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Trading of goods and commodities	754,930,252	569,541,466
Other services	–	9,200,000
Total	754,930,252	578,741,466

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Geographical markets		
Hong Kong	329,338,814	280,812,286
The People's Republic of China	391,016,876	268,319,370
Others	34,574,562	29,609,810
Total	754,930,252	578,741,466
Timing of revenue recognition		
At a point in time	754,930,252	569,541,466
Over time	–	9,200,000
Total	754,930,252	578,741,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. REVENUE (CONTINUED)

General trading

The Group sells goods and other commodities to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Other services

Other services represent the provision of marketing services, product registration services and sourcing of OEM/ODM services.

9. OTHER INCOME, GAINS AND LOSSES

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Bank interest income	287,763	246,700
Loss on disposal of property, plant and equipment	–	(150,815)
Loss on write-off of property, plant and equipment	(18,598)	–
Government subsidy	131,419	660,236
Gain on disposal of a subsidiary (Note 36)	–	137,542,825
Gain on deconsolidation of subsidiaries (Note 37)	–	2,007
Impairment of inventories	(95,591)	–
Exchange loss	(587,552)	(2,160,927)
Other income/(loss)	170,986	(165,459)
	(111,573)	135,974,567

10. FINANCE COSTS

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Effective interest expense on convertible bond (Note 31)	1,975,941	3,065,987
Interest expenses on bank borrowings	282,375	205,535
Interest expenses on lease liabilities	457,619	195,150
Finance costs expensed	2,715,935	3,466,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. INCOME TAX EXPENSE

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Current tax		
– Enterprise Income Tax in the PRC	5,246,682	2,695,557
Under/(over) provision in prior years	516,800	(23,705)
	5,763,482	2,671,852

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% during the year 31 December 2024 (2023: 25%).

The reconciliation between the income tax expense and profit before tax multiplied by the tax rate applicable to losses in the countries concerned is as follows:

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Profit before tax	23,883,753	146,405,524
Notional tax credit on profit before income tax, calculated at the rates applicable to profits in the countries concerned	5,869,704	27,125,579
Tax effect on share of loss of a joint venture	880	223
Tax effect on non-deductible expenses	434,707	1,198,736
Tax effect on non-taxable income	(71,748)	(25,008,931)
Under/(over) provision in prior years	516,800	(23,705)
Tax effect of utilisation of tax losses not previously recognised	(784,398)	(817,466)
Tax effect on tax losses not recognised	89,446	577,898
Tax effect of temporary differences not recognised	67,744	(34,259)
Statutory tax concession*	(359,653)	(346,223)
Income tax expense	5,763,482	2,671,852

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For the year ended 31 December 2024

11. INCOME TAX EXPENSE (CONTINUED)

* Certain subsidiaries in the PRC were qualified as "Small Low-profit Enterprise". From 1 January 2019 to 31 December 2021, the first RMB1 million taxable income and the portion of more than RMB1 million but less than RMB3 million taxable income of these qualifying subsidiaries would be reduced to 25% and 50% of the actual taxable income, respectively and such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would be subject to the preferential income tax rate of 20%. From 1 January 2022 to 31 December 2024, the qualifying deduction of actual taxable income for first 2 tier taxable income of these qualifying subsidiaries would be reduced to 12.5% and 25% of the actual taxable income, respectively and such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would continue to be subject to the preferential income tax rate of 20%.

At the end of the reporting period the Group has unused tax losses of HK\$842,577,799 (2023: HK\$846,789,629) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

12 PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the following:

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Depreciation		
– right-of-use assets (Note 18)	4,145,783	3,811,014
– property, plant and equipment (Note 17)	898,849	438,193
	5,044,632	4,249,207
Auditor's remuneration		
– audit service	1,900,000	2,100,000
– non-audit service	400,000	400,000
	2,300,000	2,500,000
Cost of inventories sold	688,915,550	529,136,617
Net reversal of allowance for expected credit losses :		
– reversal of allowance for ECL on other receivables	–	(4,402)
– reversal of allowance for ECL on loan and interest receivables	(327,956)	(900,000)
	(327,956)	(904,402)
Expenses relating to short-term lease	530,403	389,605
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	16,869,674	14,432,342
– retirement benefits scheme contributions	326,044	273,393
	17,195,718	14,705,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

For the year ended 31 December 2024					
	Fees HK\$	Basic salaries HK\$	Contributions to defined contribution retirement plans HK\$	Discretionary bonus (note (5)) HK\$	Total HK\$
Executive directors					
Dong Ming (note (1))	-	-	-	-	-
Liu Zhouyang	-	598,000	18,000	-	616,000
Tang Ming	-	2,124,997	18,000	-	2,142,997
Non-executive directors					
Qian Yinghui (note (1))	-	-	-	-	-
Huang Bin	312,000	-	-	-	312,000
Independent non-executive directors					
Cecilia Wai Bing Pang (note(3))	360,000	-	-	-	360,000
Cheung Hoi Yu (note(3))	360,000	-	-	-	360,000
Wong Hin Wing (note(3))	360,000	-	-	-	360,000
	1,392,000	2,722,997	36,000	-	4,150,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executives' emoluments (Continued)

For the nine months ended 31 December 2023					
	Fees HK\$	Basic salaries HK\$	Contributions to defined contribution retirement plans HK\$	Discretionary bonus (note (5)) HK\$	Total HK\$
Executive directors					
Yin Pingyao (note (1)&(4))	-	-	-	-	-
Dong Ming (note (1))	-	-	-	-	-
Liu Zhouyang	-	782,000	13,500	610,000	1,405,500
Tang Ming	-	1,666,660	13,500	1,650,000	3,330,160
Non-executive directors					
Qian Yinghui (note (1))	-	-	-	-	-
Huang Bin	180,000	-	-	-	180,000
Independent non-executive directors					
Leung Ka Kui (note (2))	155,467	-	-	-	155,467
Wong Chui San, Susan (note(2))	155,467	-	-	-	155,467
Jiang Zhi (note(2))	155,467	-	-	-	155,467
Cecilia Wai Bing Pang (note(3))	40,000	-	-	-	40,000
Cheung Hoi Yu (note(3))	40,000	-	-	-	40,000
Wong Hin Wing (note(3))	40,000	-	-	-	40,000
	766,401	2,448,660	27,000	2,260,000	5,502,061

Notes:

- (1) Agreed not to receive any remuneration during the year/period
- (2) Resigned on 10 November 2023
- (3) Appointed on 21 November 2023
- (4) Resigned on 8 August 2023
- (5) The amounts represent performance-based bonuses paid to the directors to reward their contributions to the Group, based on the performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executives' emoluments (Continued)

During the year, Mr. Dong Ming, executive director of the Company and Mr. Qian Yinghui, non-executive director of the Company have not received any emoluments. There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration during the year.

During the year ended 31 December 2024 and the period ended 31 December 2023, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office. During the year ended 31 December 2024, no housing allowance, other allowances and benefits in kind were paid by the Group to the directors and chief executives in respect of their services as directors and chief executives (2023: HK\$162,000).

(b) Five highest paid individuals

The five highest paid individuals of the Group included two (2023: two) directors whose emoluments are included in the disclosures in note 13(a) to the consolidated financial statements above.

The emoluments of the three (2023: three) individuals other than director of the Company was as follows:

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Salaries and allowances	2,678,500	3,085,000
Retirement scheme contributions	54,000	40,500
	2,732,500	3,125,500

The emoluments of the three (2023: three) individuals with the highest emoluments are within the following band:

	For the year ended 31 December 2024 Number of individuals	For the nine months ended 31 December 2023 Number of individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the year ended 31 December 2024 and period ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to the owners of the Company of approximately HK\$18,120,271 (2023: profit for the period attributable to the owners of the Company of approximately HK\$143,744,973) and on the weighted average number of 6,799,914,160 ordinary shares (2023: 6,799,914,160 ordinary shares).

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2024 based on the profit for the year attributable to the owners of the Company of approximately HK\$19,770,182 (2023: HK\$146,305,072) and on the weighted average number of approximately 8,737,898,656 (2023: 8,737,898,656) ordinary shares.

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

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Earnings		
Earnings for the purpose of calculating basic earnings per share	18,120,271	143,744,973
Finance costs saving after tax on conversion of convertible bond outstanding	1,649,911	2,560,099
Earnings for the purpose of calculating diluted earnings per share	19,770,182	146,305,072
	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	6,799,914,160	6,799,914,160
Effect of dilutive potential ordinary shares arising from convertible bond outstanding	1,937,984,496	1,937,984,496
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	8,737,898,656	8,737,898,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are (i) trading of goods and commodities; and (ii) other segment engages in the provision of marketing services, product registration services and sourcing of OEM/ODM services.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Trading of goods and commodities HK\$	Others HK\$	Total HK\$
Year ended 31 December 2024			
Revenue			
External sales	754,930,252	–	754,930,252
Segment result	54,452,940	–	54,452,940
Period ended 31 December 2023			
Revenue			
External sales	569,541,466	9,200,000	578,741,466
Segment result	40,992,678	1,302,184	42,294,862
	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$	
Segment result	54,452,940	42,294,862	
Unallocated income, gains and losses	(50,481)	136,031,128	
Unallocated expenses	(27,797,437)	(28,452,441)	
Profit from operations	26,605,022	149,873,549	
Finance costs	(2,715,935)	(3,466,672)	
Share of loss of a joint venture	(5,334)	(1,353)	
Profit before tax	23,883,753	146,405,524	
Income tax expense	(5,763,482)	(2,671,852)	
Profit for the year/period	18,120,271	143,733,672	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. SEGMENT REPORTING (CONTINUED)

(a) Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned from each segment without allocation of certain items, mainly comprising interest revenue, depreciation, central administration costs, directors' and chief executives' salaries, finance costs, share of loss of a joint venture and gain on disposal of a subsidiary. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	Trading of goods and commodities HK\$	Total HK\$
As at 31 December 2024		
Segment assets	312,287,211	312,287,211
Unallocated assets		55,693,340
		367,980,551
Segment liabilities	(61,261,765)	(61,261,765)
Unallocated liabilities		(46,778,308)
		(108,040,073)
As at 31 December 2023		
Segment assets	326,618,282	326,618,282
Unallocated assets		63,608,588
		390,226,870
Segment liabilities	(82,365,991)	(82,365,991)
Unallocated liabilities		(64,706,038)
		(147,072,029)

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in a joint venture, certain other receivables, deposits and prepayments and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, convertible bond and certain lease liabilities which are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. SEGMENT REPORTING (CONTINUED)

(c) Other segment information

	Trading of goods and commodities HK\$	Unallocated HK\$	Total HK\$
Year ended 31 December 2024			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation of property, plant and equipment	6,506	892,343	898,849
Depreciation of right-of-use assets	370,239	3,775,544	4,145,783
Additions to non-current assets (Note)	410,681	95,130	505,811
Bank interest income	(128,460)	(159,303)	(287,763)
Reversal of allowance for ECL on loan and interest receivables	–	(327,956)	(327,956)
Period ended 31 December 2023			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation of property, plant and equipment	130,429	307,764	438,193
Depreciation of right-of-use assets	993,446	2,817,568	3,811,014
Additions to non-current assets (Note)	623,560	18,642,690	19,266,250
Bank interest income	(103,515)	(143,185)	(246,700)
Reversal of allowance for ECL on other receivables	(4,402)	–	(4,402)
Reversal of allowance for ECL on loan and interest receivables	–	(900,000)	(900,000)

Note: Non-current assets excluded investment in a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. SEGMENT REPORTING (CONTINUED)

(d) Geographic information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluding investment in a joint venture, is presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$	As at 31 December 2024 HK\$	As at 31 December 2023 HK\$
Hong Kong	329,338,814	280,812,286	13,023,748	17,600,453
PRC (excluding Hong Kong)	391,016,876	268,319,370	426,647	278,923
Others	34,574,562	29,609,810	28,566	177,313
Consolidated total	754,930,252	578,741,466	13,478,961	18,056,689

(e) Revenue from major customers:

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Customer A ^{1,2}	N/A ⁴	206,981,647
Customer B ^{1,3}	182,821,804	N/A ⁴
Customer C ^{1,2}	116,451,774	N/A ⁴

1 Revenue from trading of goods and commodities.

2 Customer A and C were independent third parties of the Company.

3 Customer B was the Company's fellow subsidiary.

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

16. DIVIDENDS

The board of the directors do not recommend the payment of any dividend in respect of the year ended 31 December 2024 (Nine months ended 31 December 2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Computer equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
Cost:					
At 1 April 2023	1,272,522	643,331	4,078,740	3,293,803	9,288,396
Additions	16,695	158,381	3,519,105	–	3,694,181
Disposal of a subsidiary (Note 36)	(873,444)	(133,239)	–	–	(1,006,683)
Disposals	(346,805)	(198,407)	(2,870,760)	(1,976,312)	(5,392,284)
Exchange differences	(30,723)	(5,283)	–	–	(36,006)
At 31 December 2023 and 1 January 2024	38,245	464,783	4,727,085	1,317,491	6,547,604
Additions	146,149	68,912	–	–	215,061
Write-off	–	(71,592)	(1,207,980)	–	(1,279,572)
Exchange differences	(1,461)	(501)	–	–	(1,962)
At 31 December 2024	182,933	461,602	3,519,105	1,317,491	5,481,131
Accumulated depreciation and impairment:					
At 1 April 2023	928,290	398,007	3,887,657	3,098,235	8,312,189
Charge for the period	114,070	68,089	98,920	157,114	438,193
Disposal of a subsidiary (Note 36)	(668,128)	(91,262)	–	–	(759,390)
Disposals	(346,805)	(198,407)	(2,719,945)	(1,976,312)	(5,241,469)
Exchange differences	(19,373)	(3,251)	–	–	(22,624)
At 31 December 2023 and 1 January 2024	8,054	173,176	1,266,632	1,279,037	2,726,899
Charge for the year	21,304	135,270	703,821	38,454	898,849
Write-off	–	(52,994)	(1,207,980)	–	(1,260,974)
Exchange differences	–	(126)	–	–	(126)
At 31 December 2024	29,358	255,326	762,473	1,317,491	2,364,648
Carrying amount:					
At 31 December 2024	153,575	206,276	2,756,632	–	3,116,483
At 31 December 2023	30,191	291,607	3,460,453	38,454	3,820,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. RIGHT-OF-USE ASSETS

	2024 HK\$	2023 HK\$
Right-of-use assets		
– Land and buildings	10,362,478	14,235,984
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	4,247,699	4,027,429
– Between 1 and 5 years	6,647,632	10,732,661
	10,895,331	14,760,090
	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Depreciation charge of right-of-use assets		
– Land and buildings	4,145,783	3,811,014
Lease interests	457,619	195,150
Expenses related to short-term leases	530,403	389,605
Total cash outflow for leases	4,678,997	3,429,190
Additions to right-of-use assets	290,750	15,572,069

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 4 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 and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. INVESTMENT IN A JOINT VENTURE

	2024 HK\$	2023 HK\$
Unlisted investments in Hong Kong		
Share of net assets	10,593	15,927

Below shows information of the joint venture. The joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	Ban Loong Jacobson JBM Pharma Limited	
	2024	2023
Principal place of business/ country of incorporation	HK/HK	HK/HK
Principal activities	Distribution of pharmaceutical and medical products	
% of ownership interests / voting rights held by the Group	60%/33.3%	60%/33.3%
Current assets	17,655	95,000
Current liabilities	–	(68,455)
Net assets	17,655	26,545
Group's share of net assets and share of carry amount of interests	10,593	15,927
Cash and cash equivalents included in current assets	17,655	55,000

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For the year ended 31 December 2024

19. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Revenue	–	–
Loss from operations	(8,890)	(2,255)

Ban Loong Jacobson JBM Pharma Limited is a strategic investment of the Group, engaging in the distribution of pharmaceutical and medical products.

20. INVENTORIES

	2024 HK\$	2023 HK\$
Finished goods	7,019,811	39,747,819

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 December 2024 and made an impairment of inventories of HK\$95,591 (2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest At 31 December 2024	Proportion of ownership interest At 31 December 2023	Principal activities
Wan Long Xing Ye Commercial Trading (Hong Kong) Limited	Hong Kong	HK\$100	100%	100%	Trading of goods and commodities
BL Healthcare (Hong Kong) Limited	Hong Kong	HK\$100	100%	100%	Trading of goods and commodities
YNBY Coffee Limited	Hong Kong	HK\$1	100%	100%	Trading of goods and commodities
Wanma Technology Yunnan Co., Limited** (萬麻科技雲南有限公司)	PRC	RMB20,000,000	100%	100%	Trading of goods and commodities
YNBY Healthcare (Shenzhen) Limited** (云白健康(深圳)有限公司)	PRC	HK\$10,000,000	100%	100%	Trading of goods and commodities

Notes:

* The entity is foreign-investment enterprise.

The English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE RECEIVABLES

	2024 HK\$	2023 HK\$
Trade receivables*	114,871,673	110,344,093
Provision for loss allowance	–	–
Carrying amount	114,871,673	110,344,093

* At 31 December 2024, the balance of trade receivables from a fellow subsidiary was HK\$29,499,089 (2023: HK\$26,610,973).

Trade receivables are granted an average credit period of 90 days (2023: 90 days).

The ageing analysis of trade receivables (before allowance for ECL) is as follows:

	2024 HK\$	2023 HK\$
0 to 90 days	111,298,165	101,650,176
91 to 180 days	3,573,508	8,693,917
	114,871,673	110,344,093

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit losses also incorporate forward looking information.

	0 – 90 days	91 – 180 days	Over 365 days	Total
At 31 December 2024				
Weighted average expected loss rate	0.00%	0.00%	0.00%	
Receivable amount (HK\$)	111,298,165	3,573,508	–	114,871,673
Loss allowance (HK\$)	–	–	–	–
At 31 December 2023				
Weighted average expected loss rate	0.00%	0.00%	0.00%	
Receivable amount (HK\$)	101,650,176	8,693,917	–	110,344,093
Loss allowance (HK\$)	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. LOAN AND INTEREST RECEIVABLES

	2024 HK\$	2023 HK\$
Loan receivables		
– Secured	274,256,465	274,256,465
– Unsecured	202,291,346	202,619,302
Provision for loss allowance	476,547,811 (476,547,811)	476,875,767 (476,875,767)
Carrying amount	–	–

The maturity profile of the loan receivables (before allowance for ECL) at the end of the reporting period, analysed by the maturity date, is as follows:

	2024 HK\$	2023 HK\$
Overdue	476,547,811	476,875,767
Gross amount analysed for reporting purpose:		
Current assets	476,547,811	476,875,767

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 months to 5 years (2023: 3 months to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% (2023: 1% – 2.4%) per month, depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

With reference to the announcement made by the Company on 25 October 2023 regarding the key findings of the forensic investigation, the loan and interest receivables are fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 HK\$	2023 HK\$
Other receivables *	3,525,399	5,920,283
Deposit	305,516,701	304,504,393
Prepayments	1,110,277	2,109,473
Less: allowance for ECL	(298,824,733)	(298,824,733)
	11,327,644	13,709,416

* At 31 December 2024, the balance of other receivables from a fellow subsidiary and a shareholder were HK\$420,749 and HK\$21,180 (2023: a fellow subsidiary was HK\$502,955).

25. AMOUNT DUE FROM A JOINT VENTURE

At 31 December 2024 and 2023, the amount due from a joint-venture is unsecured, interest-free and have no fixed repayment terms.

26. CASH AND CASH EQUIVALENTS

	2024 HK\$	2023 HK\$
Cash and cash equivalents	212,482,172	199,324,292

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) Included in bank balances of the Group is approximately HK\$64,412,461 (2023: HK\$35,729,485) of bank balances denominated in RMB placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. TRADE AND OTHER PAYABLES

	2024 HK\$	2023 HK\$
Trade payables (Note)	50,214,610	54,393,370
Other payables and accrued charges	12,557,479	26,475,440
	62,772,089	80,868,810
The total is analysed for reporting purposes as:		
Current	61,272,089	79,368,810
Non-current	1,500,000	1,500,000
	62,772,089	80,868,810

The non-current amount is related to the provision for reinstatement cost of leased office, on which the tenancy will expire in three years.

Note: The credit period for trade payables ranging from 45 to 180 days (2023: 45 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame. The balance of trade payables to Yunnan Baiyao was HK\$6,694,761 (2023: HK\$2,610,542).

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	2024 HK\$	2023 HK\$
0 to 30 days	50,207,562	9,243,344
31 to 60 days	–	41,798,508
Over 90 days	7,048	3,351,518
	50,214,610	54,393,370

At 31 December 2024 and 2023, the amount due to a shareholder is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. BANK BORROWINGS

	2024 HK\$	2023 HK\$
Bank loans (unsecured and unguaranteed)	2,159,734	17,655,760
The borrowings are repayable as follows:		
Within one year	2,159,734	17,655,760
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,159,734)	(17,655,760)
Amount due for settlement after 12 months	–	–

The carrying amounts of the Group's borrowings are denominated in RMB.

The average interest rates were as follows:

	For the year ended 31 December 2024	For the nine months ended 31 December 2023
Bank loans	3.10%	3.40%

31. CONVERTIBLE BOND

As at 31 December 2024, the total number of issued ordinary shares (the "Shares") of the Company was 6,799,914,160 shares (2023: 6,799,917,160 shares).

The Company entered into the subscription agreement with Yunnan Baiyao Group Co., Ltd. ("Yunnan Baiyao") on 14 October 2019. Pursuant to the subscription agreement and the supplemental subscription agreements, the Company has conditionally agreed to issue, and Yunnan Baiyao has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., the convertible bond.

The completion of the subscription took place on 30 October 2020 in accordance with the terms and conditions of the subscription agreement. The principal amount was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the convertible bond have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the convertible bond on behalf of and as a trustee of Yunnan Baiyao. Yunnan Baiyao remains as the beneficial owner of the convertible bond.

Reference is made to the Company's announcement dated 31 October 2022, at maturity of the convertible bond, the Company received a waiver confirmation from Yunnan Baiyao to extend the maturity date of the convertible bond for a period of two months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. CONVERTIBLE BOND (CONTINUED)

Reference is made to the Company circular dated 12 January 2023, on 5 December 2022, the Company and Yunnan Baiyao entered into an extension supplemental agreement, pursuant to which the Company and Yunnan Baiyao conditionally agreed to extend the initial maturity date by two years from 31 October 2022 to 30 October 2024 by way of entering into a supplemental agreement. Save for the proposed extension, all other terms and conditions of the convertible bond remained unchanged. The supplemental agreement was subsequently approved on 1 February 2023.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the full conversion of the convertible bond, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the convertible bond, representing: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares.

Reference is made to the Company's announcement dated 29 October 2024, the Company received a notice from the bondholder, Yunnan Baiyao of exercising the conversion rights of the convertible bonds in full. On that date, the Company's public float was approximately 25.5%, if Yunnan Baiyao fully exercises the conversion rights of the convertible bonds, the public float of the Company will be reduced to approximately 19.84%, which fails to comply with the minimum public float requirement of 25% under the Rule 8.08(1)(a) of the listing Rules. Therefore, according to the pre-existing terms of the convertible bonds, Yunnan Baiyao will only be allotted the conversion shares after the Company's public float satisfies the share exchange requirements. As per the Company's announcement on 29 October 2024, the Company has been actively seeking investors to increase its public float, but up to now, the Company has not reached a firm intention to invest.

At initial recognition the equity component of the convertible bond was separated from the liability component. The equity element is presented in equity heading "convertible bond reserve". The effective interest rate of the liability component is 18.79%.

The valuation of the convertible bond was performed by Ravia Global Appraisal Advisory Limited.

The movement of the equity component of the convertible bond is set out below:

	Equity component HK\$
Equity component at 1 April 2023, 31 December 2023, 1 January 2024 and 31 December 2024	56,168,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. CONVERTIBLE BOND (CONTINUED)

The movement of the liability component of the convertible bond is set out below:

	Liability component HK\$
Carrying amount at 1 April 2023	24,958,072
Effective interest expenses (Note 10)	3,065,987
Accrued interest of the convertible bond	(15,000,000)
Carrying amount at 31 December 2023 and 1 January 2024	13,024,059
Effective interest expenses (Note 10)	1,975,941
Accrued interest of the convertible bond	(15,000,000)
Carrying amount at 31 December 2024	–

The interest expenses for the year are calculated by applying an effective interest rate of 18.79% to the liability component for 2-year period since the convertible bond were issued.

32. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024 HK\$	2023 HK\$	2024 HK\$	2023 HK\$
Within one year	4,247,699	4,027,429	3,937,541	3,577,988
In the second to fifth years, inclusive	6,647,632	10,732,661	6,432,959	10,211,781
	10,895,331	14,760,090	10,370,500	13,789,769
Less: future finance charges	(524,831)	(970,321)	N/A	N/A
Present value of lease obligation	10,370,500	13,789,769	10,370,500	13,789,769
Less: amount due for settlement within 12 months (shown under current liabilities)			(3,937,541)	(3,577,988)
Amount due for settlement after 12 months			6,432,959	10,211,781

At 31 December 2024, the average effective borrowing rate was 3.6% (2023: 3.6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. SHARE CAPITAL

	2024 HK\$	2023 HK\$
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	200,000,000	200,000,000
Issued and fully paid: 6,799,914,160 ordinary shares of HK\$0.01 each	67,999,142	67,999,142

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 30 September 2013 was expired on 29 September 2023.

During the year, no options were granted or exercised under the share option scheme.

As the Share Option Scheme was expired on 29 September 2023, there is no share available for issue at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

The following table shows the Group changes in liabilities arising from financing activities during the year/period:

	Lease liabilities HK\$	Bank borrowing HK\$	Convertible bond HK\$	Amount due to a shareholder HK\$	Total HK\$
At 1 April 2023	2,852,075	–	24,958,072	17,392,891	45,203,038
Changes in cash flows	(3,039,585)	17,400,769	–	(15,000,000)	(638,816)
Non-cash changes					
– additions	14,072,069	–	–	–	14,072,069
– disposal of a subsidiary (Note 36)	(292,962)	–	–	–	(292,962)
– interest charged	195,150	205,535	3,065,987	–	3,466,672
– increase in amount due to a shareholder	–	–	–	54,452	54,452
– accrued interest of the convertible bond	–	–	(15,000,000)	15,000,000	–
– exchange realignment	3,022	49,456	–	–	52,478
At 31 December 2023 and 1 January 2024	13,789,769	17,655,760	13,024,059	17,447,343	61,916,931
Changes in cash flows	(4,148,594)	(15,614,559)	–	(1,500,000)	(21,263,153)
Non-cash changes					
– additions	290,750	–	–	–	290,750
– interest charged	457,619	282,375	1,975,941	–	2,715,935
– accrued interest of the convertible bond	–	–	(15,000,000)	15,000,000	–
– exchange realignment	(19,044)	(163,842)	–	(1,166)	(184,052)
At 31 December 2024	10,370,500	2,159,734	–	30,946,177	43,476,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

36. DISPOSAL OF A SUBSIDIARY

On 7 December 2023, the Company entered into a share transfer agreement with KaSon Enterprises LTD (家信企業有限公司), an independent third party of the Company ("Purchaser"). The Company had agreed to sell and the Purchaser had agreed to purchase the entire issued share capital of Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) at a cash consideration of HK\$1. The transaction was completed on 12 December 2023.

Consideration received:

	HK\$
Cash	1

Analysis of assets and liabilities over which control was lost:

	HK\$
Property, plant and equipment	247,293
Right of use assets	278,923
Trade receivables (Note a)	—
Prepayments, deposits and other receivables (Note b)	5,982
Bank and cash balances	40,854
Other payables	(87,873,381)
Contract liabilities	(33,763,121)
Lease liability	(292,962)
Net liabilities disposed of	(121,356,412)

Gain on disposal of a subsidiary (Note 9):

	HK\$
Consideration received	1
Net liabilities disposed of	121,356,412
Cumulative exchange differences reclassified to profit or loss upon disposal of a subsidiary	16,186,412
Total	137,542,825

Net cash outflow arising on disposal:

	HK\$
Cash consideration	1
Less: bank balances and cash disposed of	(40,854)
	(40,853)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

36. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Note a: the amount represents the net amount of gross trade receivables of HK\$12,069,197 and allowance for ECL of HK\$12,069,197.

Note b: the amount represents the net amount of gross prepayments, deposits and other receivables of HK\$363,878,801 and allowance for ECL of HK\$363,872,819.

37. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2024, Ban Loong Capital GP was deregistered on 29 April 2024. During the nine months ended 31 December 2023, Yunnan Baiyao Qingyitang Hong Kong Limited* (雲南白藥清逸堂香港有限公司) and 雲南霧喜健康科技有限公司 were deregistered on 22 September 2023 and 27 November 2023.

Net (liabilities)/assets at the date of deconsolidation were as follows:

	For the year ended 31 December 2024		For the nine months ended 31 December 2023		
	Ban Loong Capital GP HK\$	Total HK\$	Yunnan Baiyao Qingyitang Hong Kong Limited HK\$	雲南霧喜 健康科技 有限公司 HK\$	Total HK\$
Due (to)/from Group Companies	(108,383)	(108,383)	2,265,555	2,005,319	4,270,874
Other receivables	-	-	-	1,282,090	1,282,090
Net (liabilities)/assets at the date of deconsolidation	(108,383)	(108,383)	2,265,555	3,287,409	5,552,964
Liabilities eliminated /(assets distributed) upon deconsolidation	108,383	108,383	(1,359,333)	(2,005,319)	(3,364,652)
Non-controlling interests	-	-	(906,222)	(1,282,090)	(2,188,312)
Release of foreign currency translation reserve	-	-	(3,086)	1,079	(2,007)
Gain/(loss) on deconsolidation of subsidiaries (Note 9)	-	-	3,086	(1,079)	2,007
Total consideration	-	-	-	-	-
Net cash outflow arising on deconsolidation	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Notes	2024 HK\$	2023 HK\$
Non-current assets			
Property, plant and equipment		56,064	148,214
Investments in subsidiaries		24,879,173	24,188,306
		24,935,237	24,336,520
Current assets			
Inventories		68,576	–
Trade receivables		13,005,732	639,363
Other receivables, deposits and prepayments		1,289,607	3,119,114
Amount due from a joint venture	(1)	–	57,255
Amounts due from subsidiaries	(1)	223,278,889	234,763,564
Cash and cash equivalents		29,245,607	26,178,892
		266,888,411	264,758,188
Current liabilities			
Other payables		10,748,771	15,495,858
Contract liabilities		1,727,099	3,506,014
Amounts due to subsidiaries	(1)	1,500,085	1,500,085
Amounts due to a shareholder	(1)	30,892,891	17,392,891
Convertible bond		–	13,024,059
		44,868,846	50,918,907
Net current assets		222,019,565	213,839,281
Total assets less current liabilities		246,954,802	238,175,801
NET ASSETS		246,954,802	238,175,801
Capital and reserves			
Share capital		67,999,142	67,999,142
Reserves		178,955,660	170,176,659
TOTAL EQUITY		246,954,802	238,175,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Statement of financial position (CONTINUED)

Note:

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

Movement of reserves of the Company

	Share premium HK\$	Capital redemption reserve HK\$	Convertible bond reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2023	1,085,013,367	176,000	56,168,231	(1,096,103,579)	45,254,019
Total comprehensive income for the period	-	-	-	124,922,640	124,922,640
At 31 December 2023 and 1 January 2024	1,085,013,367	176,000	56,168,231	(971,180,939)	170,176,659
Total comprehensive income for the year	-	-	-	8,779,001	8,779,001
At 31 December 2024	1,085,013,367	176,000	56,168,231	(962,401,938)	178,955,660

Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by 40 of the Bermuda Companies Act 1981.

(ii) Convertible bond reserve

The convertible bond reserve represents the equity component of convertible bond issued by the Company. Items included in convertible bond reserve will not be reclassified subsequently to profit or loss.

39. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net cash is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratio was as follows:

	2024 HK\$	2023 HK\$
Total liabilities	108,040,073	147,072,029
Less: Cash and cash equivalents	(212,482,172)	(199,324,292)
Net cash	(104,442,099)	(52,252,263)
Total equity attributable to owners of the Company	259,940,478	243,154,841
Gearing ratio	-40%	-21%

40. LITIGATIONS AND CONTINGENT LIABILITIES

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

41. COMMITMENTS

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

42. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in this consolidated financial statements, details of transactions between the Group and other related parties are disclosed below:

(a) Transactions with related parties

	For the year ended 31 December 2024 HK\$	For the nine months ended 31 December 2023 HK\$
Purchase of goods and commodities from Yunnan Baiyao (Note)	13,833,429	10,608,634
Purchase of goods and commodities from a fellow subsidiary (Note)	2,752,103	1,901,574
Provision of global supply chain integration services to a fellow subsidiary (Note)	182,821,804	56,493,278
Provision of product registration and promotion services to Yunnan Baiyao (Note)	–	9,200,000
Effective interest expense from the convertible bond with Yunnan Baiyao	1,975,941	3,065,987

Note:

The transaction constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules (the "Continuing Connected Transaction"). Further details of the Continuing Connected Transaction are provided in the section headed "Continuing Connected Transaction" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The remuneration of the Group's key management personnel is disclosed in note 13 to the consolidated financial statements.

(c) Balances with related parties at 31 December

	2024 HK\$	2023 HK\$
Trade payable to a shareholder (Note 27)	6,694,761	2,610,542
Trade receivable from a fellow subsidiary (Note 22)	29,499,089	26,610,973
Trade deposit paid to a shareholder (Note 24)	21,180	–
Trade deposit paid to a fellow subsidiary (Note 24)	420,749	502,955
Amount due to a shareholder (Note 29)	30,946,177	17,447,343
Amount due from a joint venture (Note 25)	–	68,455

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 March 2025.

FIVE-YEAR FINANCIAL SUMMARY

	FY2020/21 (Restated) HK\$'000	FY2021/22 HK\$'000	FY2022/23 HK\$'00	FY2023 HK\$'000	FY2024 HK\$'000
Revenue	1,216,714	179,578	452,909	578,741	754,930
(Loss)/profit before tax	(53,146)	(1,113,881)	(165,903)	146,406	23,884
Income tax expenses	(8,210)	(3,439)	(2,956)	(2,672)	(5,764)
(Loss)/profit after tax	(61,356)	(1,117,320)	(168,859)	143,734	18,120
(Loss)/profit attributable to owners of the Company	(61,359)	(1,117,314)	(168,871)	143,745	18,120
(Loss)/earnings attributable to owners of the Company	(0.95) HK cent	(17.33) HK cents	(2.51) HK cents	2.11 HK cents	0.27 HK cents
ASSETS AND LIABILITIES					
Total assets	1,442,604	321,754	320,039	390,227	367,981
Current liabilities	(112,099)	(115,186)	(195,295)	(135,360)	(100,107)
Total assets less current liabilities	1,330,505	206,568	124,744	254,867	267,874
Shareholders' fund	1,308,795	202,260	111,041	243,155	259,940
Provision for reinstatement costs, deferred tax liabilities, bonds and convertible bonds	45,529	13,761	24,958	14,524	1,500
Funds employed	1,354,324	216,021	135,999	257,679	261,440
Return on average shareholders' fund (%) <Note 1>	(4.7)	(552.4)	(152.1)	59.1	7.0
Dividends per share	—	—	—	—	—

<Note 1>

The return on average shareholders' fund equals to the (loss)/profit attributable to the owners of the Company divided by the equity attributable to the owners of the Company.