武漢有機控股有限公司
WUHAN YOUJI HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2881

2024
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zou Xiaohong *(Chairperson)*
Mr. Chen Ping

Non-executive Directors

Mr. Gao Lei
Mr. Shen Yingming
Ms. Li Deye

Independent non-executive Directors

Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Liu Kai Yu Kenneth

AUDIT COMMITTEE

Mr. Liu Kai Yu Kenneth *(Chairperson)*
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Gao Lei
Mr. Shen Yingming

REMUNERATION COMMITTEE

Mr. Liu Kai Yu Kenneth *(Chairperson)*
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Zou Xiaohong
Mr. Gao Lei

NOMINATION COMMITTEE

Mr. Zou Xiaohong *(Chairperson)*
Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Liu Kai Yu Kenneth
Mr. Gao Lei

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Zou Xiaohong *(Chairperson)*
Dr. Liu Zhongdong
Ms. Li Deye
Mr. Zhou Xu
Mr. Shen Haifeng

JOINT COMPANY SECRETARIES

Mr. Chen Ping
Ms. Lai Ho Yan (ACG, HKACG)

REGISTERED OFFICE IN CAYMAN ISLANDS

International Corporation Services Ltd.
PO Box 472, 2nd Floor, Harbour Place
103 South Church Street, George Town
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Cayman Islands

COMPANY WEBSITE

www.chinaorganic.com

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

BOCOM International (Asia) Limited

LEGAL ADVISER AS TO HONG KONG LAW

Pillsbury Winthrop Shaw Pittman LLP

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Chemical Second Road
Wuhan Chemical Industrial Park
Qingshan District, Wuhan
Hubei
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1922, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
PO Box 472, 2nd Floor, Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

Bank of Communications Wuhan Hongshan Branch
Agricultural Bank of China, Dadongmen Branch
Hankou Bank, Qiaokou Branch

STOCK CODE

2881

Revenue

RMB
3,284.2 million

an increase of

22.7%
compared to 2023

Sales volume

434,947

tonnes, an increase of

25.7%
compared to 2023

Gross profit margin

12.1%

a decrease of

0.2%
compared to 2023 (12.3%)

Financial Summary

Net profit

RMB
123.0 million

an increase of

68.8%

compared to 2023

Earnings per share

RMB
1.45/
share, an increase of

49.5%

compared to 2023

Final Dividend (per share)

RMB
0.4823/
share

proposed final dividend is subject to the approval of the Company's shareholders at the AGM; special dividend of RMB0.4823/share was approved by the board of directors on 9 October 2024

It is my great pleasure to present to all the shareholders (the "**Shareholders**") of Wuhan Youji Holdings Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") an overview of the performance for the year ended 31 December 2024 (the "**Review Year**").

In 2024, the global economic landscape was characterised by a sluggish recovery, marked by insufficient growth momentum, an imbalance in growth trajectories, and a pronounced divergence among regional markets. Geopolitical tensions escalated, while the spread of unilateralism and protectionism cast a long shadow over the prospects of global economic growth. Against this backdrop, certain traditional basic chemical products faced intense international competition, mounting cost pressures, and persistently weak demand, resulting in a protracted period of underperformance. The overcapacity issue within the industry remained stubbornly entrenched, with no signs of improvement, and downstream demand failed to register any significant uptick. Despite the sluggish market with intensified competition, the Group capitalised on its inherent operational strengths and unwaveringly adhered to its well-defined competitive strategy. Navigating through the volatile market conditions, we not only maintained a stable footing but also achieved a substantial expansion of our market share. This solidified our position as a leading player within the industry.

Chairman's Statement

REVIEW

The year 2024 presented the Group with a challenging business environment both at home and abroad. Internationally, geopolitical uncertainties reached new heights. The Russia-Ukraine conflict persisted in a state of deadlock, while the Middle East region, despite a temporary lull in tensions, remained far from achieving a sustainable resolution. In the Asia-Pacific region, underlying currents of instability continued to simmer. Simultaneously, although there was a marginal downward adjustment in international interest rates, they remained at elevated levels, and the inflationary pressure showed no signs of abating. Domestically, the reverberations of the real estate market turmoil continued to be felt, exacerbating the downward spiral of the property market, contributing to the lacklustre performance of the stock market, and exacerbating employment challenges. Exports, while registering an increase in volume, witnessed a decline in prices, leading to a sustained slump in domestic consumption. The global traditional basic chemical industry remained in a slump, mainly dragged down by a combination of weak demand and cost pressures. In Europe, the chemical sector was hit by sky-high energy costs, forcing many producers to curtail production capacity, with the aromatic and olefin segments being the hardest-hit. In the Americas, although buoyed by relatively low natural gas prices, the intensification of trade frictions imposed barriers to exports, squeezing profit margins for enterprises. In Asia, the region emerged as the epicentre of pressure, with traditional basic chemical products grappling with a multitude of challenges, including overcapacity, bloated inventories, shrinking profit margins, the imperative for green transformation, and the reshaping of the international supply chain.

Notwithstanding the formidable challenges faced by the Group throughout the year, we recognised that adversity often harbours latent opportunities. Proactively anticipating future trends, the Group implemented a comprehensive suite of strategic initiatives, spanning product innovation, cost management, process optimisation, and production capacity expansion. These concerted efforts bore fruit, as evidenced by the progressive strengthening of our core business segments and the substantial growth in sales. The performance exceeded initial expectations, marking a significant improvement compared to the corresponding period in the previous year, which is really gratifying.

On 18 June 2024, the Company was listed on the Hong Kong Stock Exchange, issuing 18.3 million shares in the IPO and raising approximately HK$101 million. The proceeds from the global offering are intended for the construction of our Hubei Xinxuanhong Production Plant (the "**Xinxuanhong Project**"), research and development, sales and marketing efforts, working capital, and general corporate purposes. Our listing on the Hong Kong Stock Exchange not only fortified our capital strength but also enhanced our corporate governance standards, laying a solid foundation for the Group's continued and sustainable operation. On 11 November 2024, Hubei Xinxuanhong New Materials Co., Ltd. (湖北新軒宏新材料有限公司), a subsidiary of the Group, celebrated the commencement of operations of the Phase I of Xinxuanhong Project at its Qianjiang production base. The Phase I of Xinxuanhong Project is designed to produce 40,000 tonnes of fine chemicals, including 10,000 tonnes of benzyl acetate, 20,000 tonnes of benzyltoluene, and 10,000 tonnes of dibenzylamine. These products are poised to have strong competitiveness in the global market, enable the Group's toluene oxidation products and chlorination products to be further extended downstream. The construction of the Phase II of Xinxuanhong Project is also advancing steadily. The commissioning of new production capacity and ongoing construction are set to alleviate the insufficient production capacity within the Group, laying a solid foundation for enhancing our global market share of main products, bolstering our core business revenues, and fortifying our competitive edge on the global stage.

Overall, during the Review Year, the Group's total revenue increased by approximately 22.7% compared to the same period in 2023, amounting to approximately RMB3,284.2 million (2023: approximately RMB2,677.1 million). Net profit rose by approximately 68.8% compared to the same period in 2023, amounting to approximately RMB123.0 million (2023: approximately RMB72.9 million).

After a comprehensive and careful assessment of the Group's business prospects and in line with the dividend policy of actively rewarding Shareholders, the Board proposes to declare a final dividend of RMB0.4823 per ordinary share for the year ended 31 December 2024, subject to shareholders' approval at the annual general meeting. In addition, the Board approved the declaration of a special dividend of RMB0.4823 per ordinary share on 9 October 2024, which was distributed from the retained earnings of 2023. The distribution of dividends is a tangible manifestation of our commitment to creating value to and rewarding Shareholders.

PROSPECTS

The Group adopts a stance of cautious optimism regarding its business prospects in the coming year. Although it is expected that the multifarious adverse factors within the aforementioned domestic and international landscapes as well as the intense competitive environment in the industry will persist in presenting challenges and encumbrances throughout the current year and are unlikely to be easily mitigated, and the global strategic initiatives under "Trump 2.0", particularly its policies towards China, may engender substantial uncertainties and pressures, the Group will confront even more arduous challenges in the new year. Nevertheless, the Chinese government has been vigorously promoting the transformation of China's growth model, accelerating the construction of a modern industrial system, and facilitating the establishment of a unified national market. The domestic market's internal circulation is being utilised to replace the external circulation of the global division-of-labour market. Therefore, I am fully confident that this will propel China out of its current predicament, enabling the economy to fully rejuvenate and sustain a steady growth.

In 2025, the Group will stand vigilant and resolute, adhering to a self-reliant approach and remaining agile in the face of changing circumstances. We will stabilise and expand our existing business, ensure the continuous and stable operation of the Phase I of Xinxuanhong Project, which was newly completed in 2024, while steadily advancing the construction of the Phase II of Xinxuanhong Project. Leveraging our strong R&D capabilities, excellent technical processes, highly competitive cost advantages, and competitive pricing strategies, we will continuously develop high-value products, further increase the market share of the Group's main products, and enhance the Group's operating revenue and profitability. The Group's core businesses, having withstood the harsh operating environment of the past two years, have a more solid foundation. The Group is determined and capable of making encouraging progress in business expansion.

The toluene derivatives industry weathered numerous storms in 2024. The Group, with 78 years of operating experience in the industry, endured the trials and tribulations of market competition. Year 2025 will still be a year full of both opportunities and challenges. We will adhere to our correct business philosophy, maintain a sense of urgency, crisis, and responsibility, and continue to focus on the toluene derivatives field. We will forge ahead, prepare thoroughly, and create greater value and returns for our Shareholders and the Group's stakeholders.

On behalf of the Board
Zou Xiaohong
Chairman

Hong Kong, 26 March 2025

Management Discussion and Analysis

BUSINESS REVIEW

We are a renowned toluene derivative products provider in the PRC and the global market, primarily focusing on the manufacture of toluene oxidation products and toluene chlorination products and their derivatives through organic synthesis process. Our toluene derivative products are primarily used for food preservatives, household chemicals, animal feed acidifier and synthetic intermediates for agrochemical and pharmaceutical uses. We also engage in products trading (mainly in toluene trading) to supplement our primary production operations and sales.

Performance by Product Type

For the year ended 31 December 2024

	Self-produced product			
	Toluene oxidation products and its derivatives[1]	**Toluene chlorination products and its derivatives[2]**	**Products trading**	**Total**
Revenue (RMB'000)	**2,069,979**	**711,375**	**502,829**	**3,284,183**
Cost of sales (RMB'000)	**1,812,222**	**574,955**	**500,756**	**2,887,933**
Sales volume (tonne)	**259,611**	**96,902**	**78,434**	**434,947**
Gross profit margin	**12.5%**	**19.2%**	**0.4%**	**12.1%**
Unit average selling price (RMB/tonne)	**7,973**	**7,341**	**6,411**	**7,551**

For the year ended 31 December 2023

	Self-produced product			
	Toluene oxidation products and its derivatives[1]	Toluene chlorination products and its derivatives[2]	Products trading	Total
Revenue (RMB'000)	1,515,254	705,810	456,039	2,677,103
Cost of sales (RMB'000)	1,330,825	575,284	441,229	2,347,338
Sales volume (tonne)	182,969	96,179	67,000	346,148
Gross profit margin	12.2%	18.5%	3.2%	12.3%
Unit average selling price (RMB/tonne)	8,281	7,339	6,807	7,734

Revenue by geographical location of customers

	2024 RMB'000	2023 RMB'000
Revenue		
Domestic sales	**2,448,687**	2,060,003
Export sales	**835,496**	617,100
Total	**3,284,183**	2,677,103

Notes:

1. Toluene oxidation products and its derivatives mainly include toluene oxidation products, benzoic acid ammonification products, and other fine chemicals (by-products or downstream extension products) generated during the production of toluene oxidation products.

2. Toluene chlorination products and its derivatives mainly include toluene chlorination products and other fine chemicals (by-products or downstream extension products) generated during the production of toluene chlorination products.

During the Reporting Period, the Group's total revenue increased by approximately 22.7% to approximately RMB3,284.2 million (2023: approximately RMB2,677.1 million) compared to the corresponding period in 2023, and the Group's total gross profit increased by approximately 20.2% to approximately RMB396.3 million (2023: approximately RMB329.8 million) compared to the corresponding period in 2023. The Group's total revenue recorded significant growth, mainly due to the significant increase in sales volume of toluene oxidation products and its derivatives. The Group's gross profit for the period increased by approximately 20.2% compared to the same period in 2023, mainly driven by the growth in sales of the toluene oxidation products mentioned above, partially offset by the decrease in gross profit from the product trading business. During the Reporting Period, the overall gross profit margin of the Group decreased by approximately 0.2 percentage points year on year to approximately 12.1% (2023: 12.3%), due to the decline in the gross profit margin of product trading.

During the Reporting Period, the profit attributable to equity holders of the parent increased by approximately 68.8% to approximately RMB123.0 million (2023: approximately RMB72.9 million), primarily due to the increase in gross profit as mentioned before. Net profit margin increased by approximately 1.0 percentage points to approximately 3.7% (2023: approximately 2.7%), mainly due to the increase in other income during the Reporting Period, such as input VAT surplus deduction, relocation compensation, as well as the increase in share of profits of a joint venture.

Toluene oxidation products and its derivatives accounted for approximately 63.0% of the Group's total revenue for the year ended 31 December 2024 (2023: approximately 56.6%)

Toluene oxidation products and its derivatives mainly include benzoic acid, sodium benzoate, and benzoic acid ammonification products, such as benzonitrile and benzoguanamine. The Group is the largest manufacturer for both benzoic acid and sodium benzoate in the PRC.

During the Reporting Period, revenue from the sales of the Group's toluene oxidation products and its derivatives increased by approximately 36.6% to approximately RMB2,070.0 million compared to the same period in 2023 (2023: approximately RMB1,515.3 million). The downstream application of such products primarily encompass essential consumer goods industries such as food and beverage, pharmaceuticals, and daily chemicals. Driven by the steady recovery of key livelihood industries in 2024, the overall demand has picked up. Leveraging a differentiated business strategy segmented by region and its product variety, the Group has effectively improved the capacity utilisation rate of its production facilities and expanded its market share, while ensuring the continued robustness of the profitability of its core business. Specifically, for standard products such as industrial-grade benzoic acid, which the Group has a relatively high market share in the domestic market, it continued to implement a strategy of setting lower selling prices considering customers' price sensitivity. This successfully stimulated a significant year-on-year increase in sales volume. For high-value-added products such as spherical sodium benzoate, which are the Group's main products in the overseas market, the Group achieved an increase in unit price and ensuring profitability through a pricing model that controls the gross profit margin. Meanwhile, capitalising on the reduced supply capacities among major overseas competitors in toluene oxidation products, the Group aggressively captured vacated market share, resulting in robust export growth.

During the Reporting Period, the total sales volume of such series of products increased by approximately 41.9% to 259,611 tonnes compared to the same period of last year (2023: approximately 182,969 tonnes). During the Reporting Period, the average selling price of such series of products decreased to RMB7,973 per tonne (2023: approximately RMB8,281 per tonne), mainly affected by the price fluctuations of raw materials, especially petroleum toluene, which is the major raw material. The revenue from such series of products accounted for approximately 63.0% of the Group's total revenue (2023: approximately 56.6%).

During the Reporting Period, the total gross profit of such series of products increased to approximately RMB257.8 million (2023: approximately RMB184.4 million), and the gross profit margin of such series of products increased by approximately 0.3 percentage points to approximately 12.5% (2023: approximately 12.2%).

Toluene chlorination products and its derivatives accounted for approximately 21.7% of the Group's total revenue for the year ended 31 December 2024 (2023: approximately 26.4%)

Toluene chlorination products and its derivatives mainly include benzyl chloride, benzyl alcohol, and benzyl acetate. The Group is the second largest manufacturer for benzyl alcohol in the PRC.

During the Reporting Period, revenue of the Group's toluene chlorination products and its derivatives increased by approximately 0.8% to approximately RMB711.4 million compared to the same period in 2023 (2023: approximately RMB705.8 million). Despite downstream demand for the major products in such series continuing to be constrained by the sluggish real estate sector, the Group implemented targeted sales pricing adjustments to maintain its market share, which drove a modest increase in sales volume to approximately 96,902 tonnes (2023: approximately 96,179 tonnes). The Group's overall average selling price of such series of products remained stable during the Reporting Period. The revenue from such series of products accounted for approximately 21.7% of the Group's total revenue (2023: approximately 26.4%).

During the Reporting Period, the total gross profit of such series of products increased slightly to approximately RMB136.4 million (2023: approximately RMB130.5 million), and the gross profit margin of such series of products rose by approximately 0.7 percentage points to approximately 19.2% (2023: approximately 18.5%). The increase in gross profit and gross profit margin was mainly attributable to the increase in gross profit margin of other fine chemicals related to toluene chlorides.

Products trading accounted for approximately 15.3% of the Group's total revenue for the year ended 31 December 2024 (2023: approximately 17.0%)

The Group conducts products trading primarily to maintain a stable and sufficient supply of raw materials for its manufacturing, and it also helps the Group to enhance and develop its relationship with clients and to better manage its inventories in raw materials. To ensure its ability to access a steady supply of petroleum toluene in the long-run, the Group maintained a consistent large-scale procurement from its suppliers from year to year to solidify its business relationship with its suppliers and adopt products trading as a strategy to manage its inventory.

During the Reporting Period, revenue from products trading increased by 10.3% to approximately RMB502.8 million compared to the same period in 2023 (2023: approximately RMB456.0 million). The expansion of the production capacity scale of the Group's toluene oxidation products and the continuous optimisation of production capacity utilisation rate have driven a year-on-year increase in the procurement volume of petroleum toluene raw materials. Generally, when the inventory of raw materials exceeds the safety stock level, the Group disposes of redundant inventory through the trading market, resulting in a positive correlation between the trading volume of toluene and the procurement scale. This dynamic resulted in increased revenue from products trading. The revenue from products trading accounted for approximately 15.3% of the Group's overall revenue (2023: approximately 17.0%).

During the Reporting Period, the total gross profit from products trading decreased to approximately RMB2.1 million (2023: approximately RMB14.8 million), and the gross profit margin decreased to approximately 0.4% (2023: approximately 3.2%). The decrease in both the gross profit and the gross profit margin was mainly due to the continuous decline in the market price of toluene, a traded commodity, in 2024, making it difficult to maintain the gross profit margin at the same level as last year.

Export

During the Reporting Period, the Group achieved export revenue of approximately RMB835.5 million, representing an increase of approximately RMB218.4 million or approximately 35.4% as compared to the export revenue of approximately RMB617.1 million for the same period in 2023. The growth in the Group's export revenue was primarily attributed to its cost leadership. This was enabled by the advantages of domestic raw material and energy costs, along with the Group's scale production efficiency. Complemented by the consistent quality of its products and its adoption of low-carbon production methods, and integrated with flexible sales strategies and dedicated services, the Group adeptly capitalised on the market shift where the supply capabilities of overseas competitors waned. As a result, it propelled a substantial surge in export volume.

During the Reporting Period, the Group's export revenue accounted for approximately 25.4% of its total revenue, representing an increase of 2.3 percentage points over the same period in 2023 (2023: approximately 23.1%).

Management Discussion and Analysis

REVIEW AND PROSPECTS

During the Reporting Period, the global economy persisted in its moderate to low growth trajectory, with market demand showing no substantial improvement. While inflationary pressures have somewhat subsided, the global trade system is undergoing far-reaching transformations. Geopolitical tensions have escalated, and the multilateral trade framework has been buffeted by trade barriers and protectionist measures. The heightened uncertainty of trade policies across nations has cast a pall over global economic growth and eroded market confidence. The global traditional basic chemical industry has remained mired in a prolonged slump, predominantly weighed down by sluggish demand and mounting cost pressures. In Europe, the chemical sector has witnessed production capacity closures due to exorbitant energy costs, with the aromatic hydrocarbon and olefin industries bearing the brunt of the impact. Although the American market has been buoyed by low natural gas prices, escalating trade frictions have impeded export activities, squeezing the profit margins of enterprises. The Asian market, meanwhile, has emerged as the primary region under duress, where traditional basic chemicals are grappling with a confluence of challenges, including overcapacity, elevated inventory levels, shrinking profit margins, the imperatives of green transformation, and the reconfiguration of international supply chains.

As a renowned supplier of toluene derivatives in both the China and global markets, the Group cannot immune to the adverse effects of the chemical industry's downturn. Nevertheless, challenges and opportunities have gone hand in hand. The Group has implemented the following strategies: (i) Through meticulous segmentation of the product market by region and product category, coupled with the implementation of a differentiated business approach, the Group has effectively enhanced the capacity utilisation of its production facilities, expanded its market share, and safeguarded the sustained profitability of its core business operations; (ii) Capitalising on the supply shortfalls of major competitors, the Group has further bolstered its market share in export sales; (iii) The Group has explored the latent potential of its existing production capacities, aiming to reduce costs and enhance efficiency. It has achieved a reduction in unit costs by optimising production processes, enhancing energy efficiency, and undertaking technological upgrades. Thanks to these strategies, the Group's performance has shown a gradual upward trend. The Group's overall revenue increased by approximately 22.7% to approximately RMB3,284.2 million compared to the same period in 2023 (2023: approximately RMB2,677.1 million), and net profit increased by approximately 68.8% to approximately RMB123.0 million compared to the same period in 2023 (2023: approximately RMB72.9 million).

Going forward, the Group will continue to uphold a proactive and steady development strategy. It will proactively address market challenges and fully leverage the Group's long-standing technology, cost, and brand advantages in toluene oxidation and toluene chlorination products. The Group aims to further expand its market share and enhance its profitability. To achieve sustainable growth in production capacity and improve its market position, the Group is committed to implementing the following strategies: (i) Continuously expanding production capacity to maintain its long-term economies of scale and profitability; (ii) Timely responding to changes in market conditions by adjusting sales and pricing strategies; (iii) Further enhancing its R&D capabilities to develop high-value products; (iv) Expanding its sales and marketing networks in the global market; and (v) Tapping the potential of existing production capacity, reducing costs, and increasing efficiency, and lowering unit costs through the optimisation of production processes, improvement of energy efficiency, and technological transformation.

In addition, the Phase I of the expansion plan of the Group's Hubei Xinxuanhong Production Plant, with an annual production capacity of 40,000 tonnes of fine chemicals, was officially put into operation at the end of 2024. The main products include 10,000 tonnes per year of benzyl acetate, 20,000 tonnes per year of benzyltoluene, and 10,000 tonnes per year of dibenzylamine. Among them, dibenzylamine represents an extension of the Group's existing toluene oxidation product chain, while benzyl acetate and benzyltoluene are expansions of the Group's existing toluene chlorination product chain. This project marks the first development of the hydrogenation series and alkylation product lines, which will further expand the application areas of the Group's product portfolio. It is expected that in 2025, this project will bring new growth drivers to the Group's revenue. The Group will continue to invest in Hubei Xinxuanhong Production Plant in accordance with the production expansion plan disclosed in the "Business" and "Future Plans and Use of Proceeds" sections of the Prospectus, and the Group expects Phase II expansion of Hubei Xinxuanhong Production Plant (which has a designed production capacity mainly including 160,000 tonnes per year of toluene chlorination products and 210,000 tonnes per year of other fine chemical products) will commence construction in the second half of 2025. It is expected that part of the production capacity of Phase II will be put into operation in 2026, and the remaining production capacity will be constructed and put into use in phases until 2029. The Group expects that these new products will further drive business growth. The Group believes that with the recovery of the economy and the easing of inflation, as well as its continuous efforts, its revenue and profits will continue to improve.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Reporting Period, the Group achieved revenue and gross profit of approximately RMB3,284.2 million and approximately RMB396.3 million respectively, representing an increase of approximately RMB607.1 million and approximately RMB66.5 million as compared to approximately RMB2,677.1 million and approximately RMB329.8 million for the same period in 2023, or an increase of 22.7% and 20.2%, respectively. During the Reporting Period, the Group's gross profit margin was approximately 12.1%, compared to approximately 12.3% for the corresponding period in 2023.

Other Income and Gains

During the Reporting Period, the Group's other income and gains was RMB74.1 million, representing an increase of approximately RMB48.6 million compared to approximately RMB25.5 million for the same period in 2023. Such increase in other income and gains was mainly due to the recognition of more other income during the Reporting Period, such as input VAT surplus deduction, relocation compensation, etc.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses was approximately RMB24.4 million, representing an increase of approximately RMB3.7 million compared to approximately RMB20.7 million for the same period in 2023. Such increase in selling and distribution expenses was mainly attributable to the increase in employees remuneration with our expansion in sales.

During the Reporting Period, the Group's selling and distribution expenses accounted for approximately 0.7% of the Group's revenue (2023: approximately 0.8%).

Administrative Expenses

During the Reporting Period, the Group's administrative expenses was approximately RMB118.4 million, representing an increase of approximately RMB22.9 million compared to approximately RMB95.4 million for the same period in 2023. Such increase in administrative expenses was mainly attributable to the increases in employees remuneration, and taxes.

During the Reporting Period, the Group's administrative expenses accounted for approximately 3.6% of the Group's revenue (2023: approximately 3.6%).

Management Discussion and Analysis

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses was approximately RMB138.0 million, representing an increase of approximately RMB38.0 million compared to approximately RMB100.0 million for the same period in 2023. Such increase in research and development expenses was mainly due to the increase in raw material consumption, employees remuneration and depreciation and amortisation due to the addition of seven new R&D projects.

During the Reporting Period, the Group's research and development expenses accounted for approximately 4.2% of the Group's revenue (2023: approximately 3.7%).

Finance Costs

During the Reporting Period, the Group's finance costs was approximately RMB37.4 million, representing an increase of approximately RMB5.1 million as compared to approximately RMB32.3 million for the same period in 2023. Such increase in finance costs was mainly due to increase in loans drawn to support its business operations.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses was approximately RMB36.0 million, representing an increase of approximately RMB14.2 million compared to approximately RMB21.8 million for the same period in 2023. Such increase in income tax expenses was mainly due to an increase in profit before tax during the Reporting Period compared to the same period in 2023. The Group's effective tax rate slightly decreased from 23.0% for 2023 to 22.7% for the Reporting Period.

Profit for the Year

During the Reporting Period, the Group recorded a net profit of approximately RMB123.0 million, representing an increase of approximately RMB50.1 million or 68.8% compared to approximately RMB72.9 million for the same period in 2023. The Group's net profit margin was approximately 3.7% for the Reporting Period and approximately 2.7% for the corresponding period in 2023.

Basic and diluted earnings per share

For the year ended 31 December 2024, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent were approximately RMB1.45, representing an increase of approximately RMB0.48 or approximately 49.5% compared to the corresponding period in 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 December 2024. To manage liquidity risk, the Board closely monitored the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Liquidity and Capital Structure

During the Reporting Period, the daily working capital of the Group was primarily derived from cash flows generated from daily business operations, bank borrowings and net proceeds from the global offering of the Company's shares completed on 18 June 2024 (the "**Global Offering**"). As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB73.7 million (31 December 2023: approximately RMB65.4 million), primarily denominated in Renminbi. As of 31 December 2024, the Group had pledged deposits of approximately RMB125.4 million (31 December 2023: approximately RMB40.1 million). The amount of pledged deposits of the Group increased significantly during the Reporting Period, mainly due to the increase in bill financing secured by pledged deposits.

The Group's net current liabilities as at 31 December 2024 and 31 December 2023 were mainly due to bank and other borrowings, of which, the Group had contract liabilities of RMB53.2 million and RMB50.6 million as at 31 December 2024 and 31 December 2023, respectively. As at 31 December 2024, the Group had interest-bearing bank and other borrowings of approximately RMB923.0 million, representing an increase of RMB5.5 million or 0.6% from approximately RMB917.5 million as at 31 December 2023, primarily due to additional loans financing for its daily business operation as well as for the expansion of its production capacity. The Group expects to roll-forward these loans or repay these loans on schedule using the cash flows generated from its business operations and additional debt financing, if necessary. In particular, the Group maintained revolving credit accounts with a number of large commercial banks in the amount of RMB1,285 million in aggregate, including both short term and long term credits. Therefore, it does not foresee any difficulties in repaying these loans as and when required. As of 31 December 2024, the Group had unutilised bank credit line of RMB500.0 million.

Gearing Ratio

As at 31 December 2024, the Group's gearing ratio (which is calculated at net debt divided by total equity) was approximately 108.4%, representing a decrease as compared to approximately 158.5% as at 31 December 2023.

Current Assets

As at 31 December 2024, the current assets of the Group amounted to approximately RMB950.2 million (31 December 2023: approximately RMB832.6 million), primarily consisting of inventories of approximately RMB292.4 million (31 December 2023: approximately RMB285.3 million), trade and bills receivables of approximately RMB311.4 million (31 December 2023: approximately RMB296.3 million), prepayments and other receivables of approximately RMB147.3 million (31 December 2023: approximately RMB145.4 million), cash and cash equivalents of approximately RMB73.7 million (31 December 2023: approximately RMB65.4 million), and pledged deposits of approximately RMB125.4 million (31 December 2023: approximately RMB40.1 million).

Inventories

The inventories of the Group consist of raw materials, work in progress and finished goods. As at 31 December 2024, the total inventories of the Group amounted to approximately RMB292.4 million, representing an increase of approximately RMB7.1 million as compared with the total inventories of approximately RMB285.3 million as at 31 December 2023. Inventory turnover days were 37 days during the Reporting Period as compared with 47 days for the year ended 31 December 2023. The inventory turnover days for the Reporting Period decreased as compared with the whole year of 2023, mainly due to the sales strategy of lower price for faster turnover adopted by the Company generally in response to market competition. The Group has been focusing on daily inventory management by making reasonable arrangements for business processes such as procurement, production and sales to ensure that inventories are maintained at a reasonable level.

Trade and Bills Receivables

As at 31 December 2024, trade and bills receivables of the Group were approximately RMB311.4 million, representing an increase of approximately RMB15.1 million as compared with that as at 31 December 2023. The increase in trade and bills receivables were mainly due to the increase in revenue during the Reporting Period.

The turnover days for trade and bills receivables were 34 days during the Reporting Period, significantly down from 42 days for the year ended 31 December 2023. This improvement was mainly attributable to the Group's strengthened management of customer credit term and accounts receivable during the Reporting Period. The Group has always strictly adhered to the customer credit term management system to ensure the Company's financial health and stable cash flow.

Prepayments and Other Receivables

As at 31 December 2024, prepayments and other receivables of the Group were approximately RMB147.3 million, representing an increase of approximately RMB1.9 million from approximately RMB145.4 million as at 31 December 2023, mainly due to the increase of deductible input value-added tax, partially offset by the decrease in other receivables from related parties.

Current Liabilities

As at 31 December 2024, the total current liabilities of the Group amounted to approximately RMB1,575.0 million (31 December 2023: approximately RMB1,422.7 million), primarily consisting of trade and bills payables of approximately RMB360.8 million (31 December 2023: approximately RMB149.7 million), other payables and accruals and contract liabilities of approximately RMB286.0 million (31 December 2023: approximately RMB373.0 million), interest-bearing bank and other borrowings of approximately RMB923.0 million (31 December 2023: approximately RMB852.0 million), lease liabilities of approximately RMB3.9 million (31 December 2023: approximately RMB15.9 million), and income tax payable of approximately RMB1.3 million (31 December 2023: approximately RMB32.1 million).

Trade and Bills Payables

As at 31 December 2024, the Group's trade and bills payables amounted to approximately RMB360.8 million, representing an increase of approximately RMB211.1 million as compared to that as at 31 December 2023, which was mainly attributable to the increase in the amount of bill financing secured by pledged deposits during the Reporting Period.

The turnover days for trade and bills payables were 32 days, representing an increase from the trade and bills payables of 25 days for the year ended 31 December 2023. The increase was mainly attributable to the increase in the amount of bill financing adopted by the Group for the period, which led to an extension of the related payment terms.

Other Payables and Accruals

As at 31 December 2024, other payables and accruals and contract liabilities of the Group were approximately RMB286.0 million in aggregate, representing a decrease of approximately RMB87.0 million as compared with that as at 31 December 2023, mainly due to payment of dividends payable.

Pledge of Assets

As at 31 December 2024, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB258.8 million (31 December 2023: approximately RMB270.5 million) were pledged to secure bank and other borrowings and bank facilities granted to the Group.

Material Acquisitions, Disposals and Significant Investment

Save for the production expansion of Hubei Xinxuanhong Production Plant as disclosed above, there were no other material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investment of the Group during the Reporting Period.

Capital Expenditures and Capital Commitments

During the Reporting Period, capital expenditures of the Group amounted to RMB217.1 million, which mainly related to purchase of property, plant and equipment and leasehold land. At the end of the reporting period, the Group had the contractual commitments amounted to RMB28.0 million, which mainly related to Hubei Xinxuanhong Production Plant. For details of the Group's capital commitments, please refer to note 34 to the consolidated financial information in this annual report.

Future Plans for Material Investment or Capital Assets

Save for the production expansion plan of Hubei Xinxuanhong Production Plant as disclosed above and as disclosed in the Prospectus, which the Company will consider funding by the Group's internal resources, bank loans or the net proceeds from the Global Offering, as at 31 December 2024 and as at the date of this annual report, the Group had no other plans for material investment or acquisition of capital assets.

Contingent Liabilities

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

Foreign Currency Risk and Interest Rate Risk

Foreign currency risk refers to the risk of loss caused by fluctuation in exchange rate. Transactional foreign currency exposures arises from sales in currencies other than our functional currencies. The operation of the Group may also be affected by future fluctuation in exchange rate. The Group closely monitors the impact of changes in exchange rate on the Group's foreign currency risk.

The Group's principal activities are carried out in the PRC and its operations are mainly denominated in Renminbi. Management considers that the Group's business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of each of its subsidiaries. The Group currently does not have any hedging policy for foreign currency in place. However, the Board will remain alert to any foreign currency risk and, if necessary, consider hedging any potential material foreign currency risk.

All bank loans and other borrowings of the Group are denominated in RMB and at fixed interest rates except for an unsecured bank loan in the amount of RMB23.5 million as at 31 December 2024 which is at floating interest. Management has closely monitored the interest rate risk during the Reporting Period and considers that the interest rate risk is minimal and controllable and does not consider any hedging activity to be necessary. Management will continue to closely monitor and control such risk. The Board will remain alert and will consider hedging any potential material interest rate risk if necessary.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 18 June 2024 (the "**Listing Date**"). The net proceeds from the issuance of a total of 18,300,000 shares by the Company in the Global Offering, after deduction of underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering amounted to approximately HK$25.9 million. The Company intends to use the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the planned use of the net proceeds from the Global Offering and the amount utilised as of 31 December 2024:

Use of Proceeds	Proportion (%)	Net proceeds from the Global Offering (HK$ million)	Utilised amount as of 31 December 2024 (HK$ million)	Unutilised amount as of 31 December 2024 (HK$ million)	Expected timetable for fully utilising the unutilised amount[(1)]
Increasing our production capacity at Hubei Xinxuanhong Production Plant by constructing new production facilities	82.0%	21.2	6.4	14.8	Before December 2028
Research and development activities	3.0%	0.8	0.2	0.6	Before December 2026
Sales and marketing activities	5.0%	1.3	0.4	0.9	Before December 2026
Working capital and general corporate purposes	10.0%	2.6	2.6	0.0	
Total	**100%**	**25.9**	**9.6**	**16.3**	

Note:

(1) The expected timetable for the utilisation of the unutilised proceeds as disclosed above is the best estimate made by the Board based on the latest information as at the date of this annual report. The utilisation of proceeds was in accordance with the planned applications. The unutilised portion of the proceeds will be applied in a manner consistent with the above planned applications.

EMPLOYEES AND REMUNERATION POLICIES

The Group has formulated human resources policies and system to include more incentive awards and bonuses in the remuneration system, as well as to provide diversified employee training and personal development programmes for employees.

The emoluments provided by the Group to its employees are determined according to their responsibilities and the prevailing market terms. Employee benefits including bonus, pension, medical insurance and provident fund are also provided to its employees.

As at 31 December 2024, the Group had a total of 626 employees (as at 31 December 2023: 625 employees).

During the Reporting Period, the Group's total staff costs (including wages, bonuses, social insurance and provident fund) amounted to approximately RMB123.9 million (for the year ended 31 December 2023: approximately RMB82.3 million). The increase in staff costs was mainly due to the increase in performance bonuses corresponding to the completion of results target during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

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

FINAL DIVIDEND

The Board recommends declaring a final dividend of RMB0.4823 per ordinary share for the year ended 31 December 2024. This final dividend is subject to approval by the Company's shareholders (the "**Shareholders**") at the annual general meeting (the "**AGM**") of the Company to be held on 15 May 2025, and will be payable on 9 June 2025 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 23 May 2025. The dividends payable to Shareholders will be declared in RMB and paid in HKD based on the average RMB to HKD central parity rate published by the People's Bank of China over the five business days ending on and including the date of the forthcoming AGM. As of the date of this annual report, the Company's total number of shares is 93,300,000 shares, the total final dividend is approximately RMB45.0 million.

In addition, on October 9, 2024, the Directors approved the declaration of a special dividend of approximately RMB0.4823 per ordinary share, which was distributed from the retained profits of 2023.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of the shareholders entitled to attend the AGM, the Company will close the Register of Members from Monday, 12 May 2025 to Thursday, 15 May 2025, both days inclusive, during which period no share transfers will be registered. To be eligible to attend the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than Friday, 9 May 2025 at 4:30 p.m.

To determine the identity of shareholders entitled to receive the final dividend, the Company will also close the Register of Members from Thursday, 22 May 2025 to Friday, 23 May 2025, both days inclusive, during which period no share transfer will be registered. To be eligible for the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than Wednesday, 21 May 2025 at 4:30 p.m.

Corporate Governance Report

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to present to the shareholders (the "**Shareholders**") the corporate governance report for the year ended 31 December 2024 (the "**Year**").

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that corporate affairs are conducted in accordance with high ethical standards. The Company upholds to the belief that it must act with integrity, transparency and accountability in achieving its long-term objectives. The Company believes that only by conducting itself in such manner can shareholders' wealth be maximised in the long run, and that the employees, business partners, and various stakeholders of the Company will benefit from it.

Corporate governance is the process by which the Board directs the management of the Group in handling corporate affairs to ensure the achievement of its objectives. The Board is dedicated to maintaining and developing robust corporate governance practises to ensure:

— delivery of satisfactory and sustainable returns for shareholders; and protection of interests of all stakeholders of the Company;

— identification, understanding, and appropriate management of overall business risks;

— assurance of operational safety, environmental friendliness, and sustainable development;

— provision of high-quality products and services that satisfy customers; and

— maintenance of high standards of professional ethics.

CORPORATE GOVERNANCE PRACTISES

The Company has adopted and complied with the provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 to the Listing Rules, which outlines the principles of good corporate governance. For the year ended 31 December 2024, the Company has consistently complied with all applicable code provisions as set forth in the Corporate Governance Code.

The Company will continue to strengthen its corporate governance practises in line with the operation and growth of its business, and will periodically review these practises to ensure compliance with the Corporate Governance Code and alignment with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Management Securities Trading Code (the "**Management Securities Trading Code**") as the standard of conduct for securities transactions by its Directors and relevant employees. The terms of this code are not less stringent than those set out in the Model Code as stipulated in Appendix C3 to the Listing Rules.

Having made specific enquiry with each of the Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Management Securities Trading Code throughout the year.

To the best of the Company's knowledge, no relevant employees have violated the Management Securities Trading Code during the year ended 31 December 2024.

THE BOARD AND ITS COMPOSITION

The Company is led by an effective Board, which is responsible for its leadership and control. By guiding and overseeing the Company's affairs, the Board collectively ensures the success of the Company. Directors make decisions objectively, acting in the best interests of the Company and its shareholders.

The Board maintains a balance of skills, experience, and diversity of perspectives to meet the requirements of the Company's business. It regularly reviews the contributions made by Directors in fulfilling their responsibilities to the Company and assesses whether Directors have devoted sufficient time to perform their duties commensurate with their roles and Board responsibilities. The Board comprises a balanced composition of executive Directors, non-executive Directors, and independent non-executive Directors, ensuring strong independence and enabling the Board to exercise independent judgement effectively.

The Board has established four Board Committees, including the Audit Committee (the "**Audit Committee**"), the Remuneration Committee (the "**Remuneration Committee**"), the Nomination Committee (the "**Nomination Committee**"), and the ESG Committee (the "**ESG Committee**"), to oversee various aspects of the Company's affairs.

As of the date of this report, the Board consists of eight Directors, including two executive Directors; three non-executive Directors; and three independent non-executive Directors. Mr. Zou Xiaohong serves as the chairman of the Board. The current composition of the Board is as follows:

Executive Directors

Mr. Zou Xiaohong *(chairman of the Board)*
Mr. Chen Ping *(joint company secretary)*

Non-executive Directors

Mr. Gao Lei
Mr. Shen Yingming
Ms. Li Deye

Independent non-executive Directors

Dr. Liu Zhongdong
Dr. Yuan Kang
Mr. Liu Kai Yu Kenneth

Details of the Directors' biographies are set out in the section headed "Biographies of Directors and Senior Management" on pages 70 to 75 of this annual report.

All Directors have obtained the legal opinions as required under Rule 3.09D of the Listing Rules on 18 June 2024 (the "**Listing Date**").

Each of our executive Directors has entered into a service contract with the Company on 30 May 2024, the terms of appointment under the service contracts are for an initial term of three years from the Listing Date or until the third annual general meeting following the Listing Date, whichever is earlier, and may be subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Each non-executive Director and independent non-executive Director has entered into a letter of appointment with the Company, pursuant to which they have agreed to serve as non-executive Directors/independent non-executive Director for an initial term of three years from the Listing Date or until the third annual general meeting following the Listing Date, whichever is earlier. The term of the letter of appointment will continue until the expiry of the then-current term or until terminated by either party giving not less than three months' written notice to the other party.

There are no financial, business, or other material/connected relationships among the members of the Board.

DIRECTORS' ATTENDANCE RECORD

During the year ended 31 December 2024, the attendance records of each Director at the Company's Board meetings, Board committee meetings, and general meeting are as shown in the table below:

	Number of Meetings Attended/Held					
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**ESG Committee(1)**	**Annual General Meeting**
Executive Directors						
Mr. Zou Xiaohong	4/4	N/A	1/1	1/1	1/1	1/1
Mr. Chen Ping	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. Gao Lei	4/4	2/2	1/1	1/1	N/A	1/1
Mr. Shen Yingming	4/4	2/2	N/A	N/A	N/A	1/1
Ms. Li Deye	4/4	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Dr. Liu Zhongdong	3/3(2)	2/2	1/1	1/1	1/1	0/0(3)
Dr. Yuan Kang	3/3(2)	2/2	1/1	1/1	N/A	0/0(3)
Mr. Liu Kai Yu Kenneth	3/3(2)	2/2	1/1	1/1	N/A	0/0(3)

Notes:

(1) The ESG Committee is composed of five members. In addition to the Directors listed in the table above, Mr. Shen Haifeng and Mr. Zhou Xu are also members of the Committee. During the year, Mr. Shen Haifeng and Mr. Zhou Xu each attended one ESG Committee meeting.

(2) The appointments of the three independent non-executive Directors took effect from the Listing Date of the Company. One Board meeting was held prior to the Listing Date during the year, and therefore, the three independent non-executive Directors were absent from this meeting.

(3) The appointments of the three independent non-executive Directors took effect from the Listing Date of the Company. The annual general meeting was held prior to the Listing Date during the year, and therefore, the three independent non-executive Directors were absent from this meeting.

In addition to the regular Board meetings, the chairman of the Board held one meeting with the independent non-executive Directors during the year, and all other Directors abstained from attending this meeting.

BOARD MEETINGS

The Company holds regular Board meetings, with a minimum of four meetings per year, approximately once every quarter, to discuss the Group's financial performance, business operations, and strategic development, among other matters. Extraordinary Board meetings are also convened as necessary. Notice of regular Board meetings is sent to all Directors at least 14 days in advance, ensuring that all Directors have the opportunity to attend and discuss agenda items. For extraordinary Board meetings, reasonable notice is also provided to Directors. Directors may participate in meetings either in person or via electronic means.

The agenda and Board documents with complete and reliable information are distributed to all Directors three days prior to the meeting. All Directors are provided with sufficient resources to fulfill their duties, and there is an agreed procedure for Directors to seek independent professional advice at the Company's expense, where appropriate. All Directors have the opportunity to include discussion items on the agenda of Board meetings. The company secretary is responsible for maintaining minutes of Board meetings and Board Committee meetings, and Directors may access all meeting minutes at reasonable times upon giving reasonable notice.

RESPONSIBILITIES, DUTIES, AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership and control of the Company, and it collectively guides and oversees the Company's affairs. The Board leads and directs management, either directly or indirectly, by setting strategies and overseeing their implementation, monitors the Group's operations and financial performance, and ensures the establishment of robust internal control and risk management systems.

All Directors, including non-executive Directors and independent non-executive Directors, bring a wide range of valuable business experience, knowledge, and professionalism to the Board, enabling it to function efficiently and effectively. Independent non-executive Directors are responsible for ensuring high standards of regulatory reporting and maintaining a balance on the Board, providing effective independent judgement on the Company's actions and operations.

All Directors have full and timely access to all Company information and, upon request, may, where appropriate, seek independent professional advice at the Company's expense to fulfill their duties to the Company.

All significant matters relating to policy issues, strategy and budgeting, internal controls and risk management, major transactions (particularly those that may involve conflicts of interest), financial information, Director appointments, and other significant operational matters of the Company are decided by the Board. Responsibilities related to executing Board decisions, directing, and coordinating the day-to-day operations and management of the Company are delegated to management.

The Company has arranged appropriate insurance coverage for the liabilities of Directors and senior management in connection with any legal proceedings brought against them due to corporate activities. The insurance coverage is reviewed annually by the Company.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

In accordance with Provision C.2.1 of the Corporate Governance Code, the roles of the chairman of the Board and the chief executive officer shall be separate and not be assumed by the same individual, ensuring their respective independence, accountability, and responsibilities.

From the Listing Date until 31 December 2024, Mr. Zou Xiaohong served as the chairman of the Board, while Mr. Zhou Xu held the position of chief executive officer. The chairman of the Board is responsible for leading the functioning and leadership of the Board, whereas the chief executive officer is primarily responsible for the Company's business development and day-to-day management and operations. As such, the division of responsibilities between the chairman of the Board and the chief executive officer has been clearly established.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date until 31 December 2024, the Board has consistently complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules, which mandate the appointment of at least three independent non-executive Directors, one of whom possesses appropriate professional qualifications or expertise in accounting or related financial management.

The Company has also adhered to Rule 3.10A of the Listing Rules, which requires that independent non-executive Directors constitute at least one-third of the Board membership.

The Company has received annual written confirmations from each independent non-executive Director (namely Dr. Liu Zhongdong, Dr. Yuan Kang, and Mr. Liu Kai Yu Kenneth) regarding their independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

In addition to regular Board meetings, the chairman of the Board has held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

BOARD INDEPENDENCE EVALUATION MECHANISM

In 2024, the Company established a Board independence evaluation mechanism, implementing processes and procedures to ensure independence of the Board at a high level, so that it can exercise independent judgement effectively and better safeguard the interests of shareholders.

The Company ensures independent views and input are available to the Board via the below mechanisms:

(1) The Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board;

(2) On an annual basis, all independent non-executive Directors are required to confirm their compliance with independence requirements and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments;

(3) the chairman of the Board shall meet with the independent non-executive Directors at least once annually; and

(4) all members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

Under the Board independence evaluation mechanism, the Board conducts an annual review of its independence. The Board independence evaluation report is submitted to the Board, which collectively discusses the results and the action plan for improvement.

As of 31 December 2024, the Board has reviewed the implementation and effectiveness of the Board independence evaluation mechanism, and the results are satisfactory.

APPOINTMENT, RE-ELECTION, AND REMOVAL OF DIRECTORS

The Board shall have the power to appoint any person as a Director at any time or from time to time to fill any casual vacancy or to increase the membership of the existing Board, provided that the number of Directors shall not exceed such upper limit as the general meeting may determine. Any Director appointed to fill a casual vacancy or to join the existing Board shall hold office only until the next annual general meeting of the Company following their appointment, at which they shall be eligible for re-election. When determining the number of Directors or the number of Directors retiring by rotation at a general meeting, any Director appointed by the Board in this manner shall not be taken into account.

In accordance with the Company's Articles of Association, one-third of the Directors in office at each annual general meeting shall retire by rotation. However, if the number of Directors is not a multiple of three, the number of Directors retiring shall be the number closest to but not less than one-third. The Directors to retire each year shall be those who have been in office the longest since their last re-election or appointment. If multiple Directors were appointed or last re-elected on the same day, the Director to retire shall be determined by drawing lots.

Unless recommended by the Board for election, no person other than a retiring Director is eligible for election as a Director at any general meeting unless a written notice of intention to propose that person for election as a Director, along with a written notice from that person indicating his/her willingness to be elected, has been delivered to the Company's registered office. The Company must include details of the proposed candidate in its notice or supplementary circular, and provide shareholders with it at least seven days prior to the meeting date to consider the information disclosed in the notice or supplementary circular.

Any Director may be removed from office before the expiration of their term by an ordinary resolution of the Company's shareholders (without prejudice to any claim for damages for breach of any contract between the Director and the Company), and the Company may, by ordinary resolution, appoint another person to fill the vacancy. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be fewer than two.

ONGOING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall remain informed about regulatory developments and changes to effectively fulfill their duties and ensure that their contributions to the Board remain informed and relevant.

Upon their initial appointment, each newly appointed Director undergoes a formal and comprehensive induction programme to ensure a proper understanding of the Company's business and operations, as well as a full awareness of their responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are expected to engage in appropriate ongoing professional development to expand and update their knowledge and skills. Where applicable, the Company arranges internal briefings and provides Directors with relevant reading materials on pertinent topics.

The training records of the Directors for the year ended 31 December 2024 are summarised as follows:

Name of Director	Type of Training (1) A	B
Executive Directors		
Mr. Zou Xiaohong	✓	✓
Mr. Chen Ping	✓	✓
Non-executive Directors		
Mr. Gao Lei	✓	✓
Mr. Shen Yingming	✓	✓
Ms. Li Deye	✓	✓
Independent Non-executive Directors		
Dr. Liu Zhongdong	✓	✓
Dr. Yuan Kang	✓	✓
Mr. Liu Kai Yu Kenneth	✓	✓

Note:

(1) Types of Training
A: Attending training programmes, including but not limited to briefings, seminars, conferences, and workshops
B: Reading relevant news alerts, newspapers, journals, magazines, and related publications

CONFLICTS OF INTEREST

If a Director has a material interest in a transaction or proposal to be considered by the Board, the Director must declare such interest and abstain from voting on the matter. The transaction will be considered and voted on by Directors who do not have a material interest in the transaction during the Board meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

The Board acknowledges that corporate governance shall be a shared responsibility of all Directors, whose corporate governance functions include:

(a) Reviewing and monitoring the Company's policies and practises in compliance with legal and regulatory requirements;

(b) Reviewing and monitoring the training and ongoing professional development of Directors and senior management;

(c) Developing, reviewing, and monitoring the code of conduct and compliance manuals applicable to employees and Directors;

(d) Formulating and reviewing the Company's corporate governance policies and practises, and making recommendations to the Board and report on these matters;

(e) Reviewing the Company's compliance with the Corporate Governance Code and its disclosures in the corporate governance report; and

(f) Reviewing and monitoring the Company's compliance with its whistleblowing policy.

During the year ended 31 December 2024, the Board also conducted an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting.

BOARD COMMITTEES

Audit Committee

The Board has established an Audit Committee in accordance with Rule 3.21 of the Listing Rules and Code Provision D.3 of the Corporate Governance Code, with written terms of reference. As at the date of this report, the Audit Committee comprises Mr. Liu Kai Yu Kenneth (independent non-executive Director), Dr. Liu Zhongdong (independent non-executive Director), Dr. Yuan Kang (independent non-executive Director), Mr. Gao Lei (non-executive Director), and Mr. Shen Yingming (non-executive Director), with Mr. Liu Kai Yu Kenneth (an independent non-executive Director with appropriate professional qualifications) serving as the chairman.

The primary responsibilities of the Audit Committee include providing recommendations to the Board on the appointment and removal of external auditors, reviewing the consolidated financial statements and significant financial reporting matters, and overseeing the Company's internal control and risk management systems.

During the Reporting Period, the Audit Committee held two meetings to review and approve (i) the consolidated financial statements, (ii) the interim results announcement and interim report for the six months ended 30 June 2024, and (iii) the preparation of the annual results announcement and annual report for the year ended 31 December 2024.

During the Reporting Period, all members of the Audit Committee held a meeting with the external auditors without the presence of management and executive Directors.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee in accordance with Rule 3.25 of the Listing Rules and Code Provision E.1 of the Corporate Governance Code, with written terms of reference. The Remuneration Committee comprises Mr. Liu Kai Yu Kenneth, Dr. Liu Zhongdong, Dr. Yuan Kang, Mr. Zou Xiaohong, and Mr. Gao Lei, with Mr. Liu Kai Yu Kenneth serving as the chairman.

The primary responsibilities of the Remuneration Committee include reviewing the terms of remuneration, bonuses, and other benefits payable to Directors and senior management, and making recommendations to the Board. Pursuant to Code Provision E.1.2(c)(ii) of Part 2 of the Corporate Governance Code, the Remuneration Committee adopts the model of recommending to the Board the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee is responsible for, annually or as needed, evaluating and reviewing the remuneration and overall benefits of the Company's Directors and senior management, and making recommendations to the Board; providing advice on consultancy agreements, service contracts, remuneration policies and structures, and management remuneration proposals; considering the remuneration levels of peer companies and the Company's employment conditions; reviewing and approving relevant compensation arrangements to ensure fairness and reasonableness; ensuring that Directors do not participate in decisions regarding their own remuneration; and reviewing/approving matters related to share plans as described in Chapter 17 of the Listing Rules.

The Company's remuneration policy aims to ensure that the compensation provided to employees (including Directors and senior management) is based on their skills, knowledge, responsibilities, and level of involvement in the Company's affairs. The remuneration of executive Directors is determined based on the Company's performance and profitability, prevailing market conditions, and the individual performance or contribution of each executive Director. The remuneration policy for independent non-executive Directors ensures that their efforts and time devoted to the Company's affairs, including participation in Board Committee work, are appropriately compensated. The remuneration of independent non-executive Directors primarily consists of Director's fees, which are determined by the Board based on their duties and responsibilities. Individual Directors and senior management do not participate in decisions regarding their own remuneration.

During the Reporting Period, the Remuneration Committee held one meeting to review the remuneration policies and structures for all Directors and senior management and made recommendations to the Board.

NOMINATION COMMITTEE

The Board has established a Nomination Committee in accordance with Rule 3.27A of the Listing Rules and Code Provision B.3 of the Corporate Governance Code, with written terms of reference. The Nomination Committee comprises Mr. Zou Xiaohong, Dr. Liu Zhongdong, Dr. Yuan Kang, Mr. Liu Kai Yu Kenneth, and Mr. Gao Lei, with Mr. Zou Xiaohong serving as the chairman.

The primary responsibility of the Nomination Committee is to make recommendations to the Board on the appointment of Directors and manage Board succession planning.

The Nomination Committee is responsible for reviewing the structure, size, composition (including skills, knowledge, and experience), and diversity of the Board annually, and propose changes in line with the Company's strategy; to identify suitable candidates for directorship, and consider their strengths and the benefits of diversity; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment, removal, and succession planning of Directors, with appointments and removals recommended by the Committee in accordance with the Listing Rules and the Articles of Association.

During the Reporting Period, the Nomination Committee held one meeting to review the policy for nominating Directors, the Board's structure, size, and composition, and assess the independence of independent non-executive Directors.

The Company has adopted a Director nomination policy, which sets out the selection criteria, nomination procedures, and succession planning considerations related to the nomination and appointment of Directors of the Company. The policy aims to ensure a balanced Board in terms of skills, experience, and diverse perspectives appropriate to the Company, as well as continuity and appropriate leadership at the Board level. The Board has delegated the responsibility and authority for Director selection to the Nomination Committee.

The Nomination Committee reviews the Director nomination policy annually to ensure its effectiveness.

ESG COMMITTEE

To further enhance the Company's environmental, social, and governance ("**ESG**") management standards, strengthen the ESG management system, and improve ESG management capabilities, the Board resolved to establish an ESG Committee with written terms of reference. The ESG Committee comprises Mr. Zou Xiaohong, Dr. Liu Zhongdong, Ms. Li Deye, Mr. Zhou Xu, and Mr. Shen Haifeng, with Mr. Zou Xiaohong serving as the chairman.

The primary responsibilities of the ESG Committee are to monitor the Company's progress toward achieving ESG-related objectives and evaluate its performance in this regard, and to make recommendations to the Board on actions needed to improve such performance.

During the Reporting Period, the responsibilities of the ESG Committee are to formulate and review the Company's ESG objectives, strategies, risks, opportunities, measures, policies, management guidelines, and corporate governance policies, and make recommendations to the Board; to monitor the Company's progress toward achieving ESG-related objectives, evaluate its performance, and make recommendations to the Board on actions needed to improve such performance; and to identify and prioritise significant ESG risk issues for the Company and make recommendations to the Board.

During the Reporting Period, the ESG Committee held one meeting to review the ESG strategic implementation plan and made recommendations to the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of Part 2 of the Corporate Governance Code, details of the remuneration of senior management serving in the Company during the year ended 31 December 2024 are set out below:

Remuneration Range for Senior Management	Number of Individuals
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1

Details of the remuneration of Directors are disclosed in Note 8 to the consolidated financial statements.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy, which outlines the methods for achieving Board diversity. The Company recognises and acknowledges the benefits of having a diverse Board and believes that greater diversity at the Board level, including gender diversity, is a critical factor in maintaining competitive advantage and enhancing our ability to attract, retain, and motivate talented employees. When reviewing and evaluating suitable candidates for directorship, the Nomination Committee will consider various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, as well as industry and regional experience.

The Company aims to maintain an appropriate balance of diverse perspectives relevant to its business growth and is committed to ensuring that recruitment and selection practises at all levels, starting from the Board, are structured to consider a wide range of candidates.

Our Directors possess diverse knowledge and skills, including expertise in general management and strategic development, procurement and supply chain management, finance and accounting, technology and research, consulting, and corporate governance. The Company has three independent non-executive Directors with diverse industry backgrounds, accounting for one-third of the Board members. Additionally, the age range of Board members is well-balanced, spanning from 40 to 65 years old, with each member having over 10 years of experience in their respective fields. The composition of the Board aligns with the Board Diversity Policy. Following the appointment of Ms. Li Deye as a non-executive Director, the Board has achieved its gender diversity target of appointing at least one female Director by the end of 2024. The Board regularly evaluates its performance through directors' evaluation questionnaires to ensure that the Board can obtain independent opinions and input. During the Reporting Period, the Board reviewed the implementation and effectiveness of the mechanism.

GENDER DIVERSITY

The Company values gender diversity at all levels of the Group. However, due to the nature of work in the chemical industry, the Group has a relatively higher number of male employees and a relatively lower number of female employees currently. The table below lists the gender ratio of the Group's employees, including the board of directors, senior management, and middle management, for the year ended 31 December 2024:

	Female	Male
Board	12.5%	87.5%
Senior management	0	100%
Middle management	14.42%	85.58%
Other employees	14.94%	85.06%
Total employees	14.70%	85.30%

The Board is committed to enhancing gender diversity at the Board, senior management, and other employees. The Board considers that it has achieved gender diversity and hopes to maintain the proportion of its female members at least at the current level. The Company is not aware of any factors or circumstances that would make achieving gender diversity more challenging or less relevant for all employees (including senior management). The Company strictly implements the Labour Contract Law and other relevant regulations. In recruitment and promotion, strict inspection and control procedures are adopted, and any discrimination against employees based on gender, age, or other aspects is strictly prohibited. This ensures that the recruitment and selection of personnel at all levels are conducted according to appropriate structural procedures, in order to attract candidates from diverse backgrounds. The Company is also concerned about female employees, safeguarding their rights and interests, providing precise and thoughtful services to a large number of female employees, and retaining female talent.

RISK MANAGEMENT AND INTERNAL CONTROL

With the growth and expansion of our operations, potential risks associated with our business increase as well. In order to identify, assess and control the risks that may impede our business growth, we have designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risks and legal risks. Our risk management policies set forth procedures to identify, analyse, categorise, mitigate and monitor various risks as well as the reporting hierarchy of risks identified in the course of our operation. Each of our business departments and functions is responsible for identifying and evaluating the risks relating to its area of operations and implementing our risk management and internal control systems. Our Audit Committee is responsible for overseeing our management in the implementation of our overall risk management and internal control systems and assessing the efficiency of our risk management and internal control systems. Key personnel of our internal control team include one internal audit manager and two internal auditors with extensive experience in the professional field.

Our Board takes the responsibility to ensure that we maintain sound and effective internal controls to safeguard our Shareholders' investment and our assets. We have adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance to achieve these objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. We ensured the effective implementation of our internal control system by establishing a team to organise and review our internal control system and by providing guidance to our Directors, senior management and employees with respect to our internal control policies and the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations.

The Company has carried out risk list collection and comprehensive risk assessment in the reporting year. By collecting the risk control opinions of all business departments and senior leaders, the Company has sorted out the top ten major risks of the year, conducted corresponding risk analysis on them, and defined the corresponding risk control means.

At present, the Company has established a basic internal control management system, sorted out the whole business process of the Company and formulated a basic internal control management manual to strengthen the internal control management. 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.

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

For the year ended 31 December 2024, the Company engaged external professional consultants to conduct an internal review of the current status of the Company's internal control management. This was done to ensure the effectiveness and efficiency of the Group's risk management and internal control systems, and to summarise and analyse any identified internal control management deficiencies. Management confirms that the external professional consultants have determined that there were no significant weaknesses or deficiencies in the internal control system for the year ended 31 December 2024.

The Board has conducted an annual review of the Group's risk management and internal control systems and procedures, covering all significant controls, including financial, operational, and compliance aspects. The Board considers the internal control and risk management functions to be reasonably effective and adequate for the year ended 31 December 2024.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries in a timely manner in accordance with applicable laws and regulations. Senior executive managements are delegated with responsibilities to control and monitor the proper procedures for disclosing the inside information. Directors and employees are restricted from dealing in the Company's securities when they are in possession of unpublished inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors confirm that they are responsible for preparing the Company's financial statements for the Reporting Period, which present a true and fair view of the Company's and the Group's state of affairs, financial performance, and cash flows.

Management has provided the Board with the necessary explanations and information to enable the Board to make an informed assessment of the Company's financial statements submitted for Board approval. The Company provides all Board members with monthly updates on the Company's performance, financial position, and prospects.

The Directors have not identified any material uncertainties or circumstances that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements are prepared on a going concern basis, and the Directors believe that the financial statements present a true and fair view of the Group's financial position, performance, and cash flows for the year ended 31 December 2024. The disclosure and reporting of other financial information comply with relevant legal requirements.

The external auditor's statement regarding their reporting responsibility for the financial statements is included in the Independent Auditor's Report on pages 89 to 90 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the fees in respect of audit and non-audit services provided by the auditors to the Company are as follows:

Service Category	Fees Paid/ Payable
Interim report review services	RMB600,000
Annual report audit services	RMB1,800,000
Total	RMB2,400,000

During the period from the Listing Date to 31 December 2024, the Company has not changed its auditor.

JOINT COMPANY SECRETARIES

Mr. Chen Ping ("**Mr. Chen**") and Ms. Lai Ho Yan ("**Ms. Lai**") have been appointed as the joint company secretaries of the Company. Ms. Lai is currently a senior manager of corporate secretarial services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate, and investor services. Ms. Lai's primary contact at the Company is Mr. Chen.

All Directors have access to the advice and services of the joint company secretaries on corporate governance, Board practises, and other matters. Mr. Chen, who serves as both an executive Director and joint company secretary, works closely with Ms. Lai on corporate governance, secretarial and administrative matters of the Company.

During the year ended 31 December 2024, both Mr. Chen and Ms. Lai completed no less than 15 hours of relevant professional training in accordance with the requirements of Rule 3.29 of the Listing Rules.

Details of the biography of Mr. Chen are set out in the section headed "Biographies of Directors and Senior Management" on pages 70 to 71 of this annual report, and details of the biography of Ms. Lai are set out in the section headed "Biographies of Directors and Senior Management" on page 75 of this annual report.

SHAREHOLDERS' RIGHTS

Shareholders who intend to submit proposals may request the Company to convene an extraordinary general meeting ("**EGM**") in accordance with the procedures set out below under "Convening an Extraordinary General Meeting".

CONVENING AN EXTRAORDINARY GENERAL MEETING

The Board may convene an EGM at any time it deems appropriate. An EGM may also be convened upon the request of one or more shareholders who, on the date of submitting the request, hold not less than one-tenth of the paid-up share capital of the Company carrying the right to vote at general meetings. Such request must be submitted in writing to the Board or the secretary, requesting the Board to convene an EGM to address any matters specified in the request. The meeting must be held within two months since submission of the request. If the Board fails to convene the meeting within 21 days since submission of the request, the requesting shareholder(s) may convene the meeting themselves in the same manner, and the Company shall reimburse the requesting shareholder(s) for all reasonable expenses incurred due to the Board's failure to convene the meeting.

PROPOSALS FOR GENERAL MEETINGS

There is no provision allowing the Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director (Article 113) under the Companies Act or the Articles of Association. Shareholders who wish to put forward a resolution may follow the procedures set out in the preceding paragraph to request the Company to convene an extraordinary general meeting for any business specified in such written requisition.

SUBMITTING INQUIRIES TO THE BOARD

Shareholders may submit written inquiries to the Company via email at ir@chinaorganic.com. The Company generally does not handle oral or anonymous inquiries.

CONTACT DETAILS

For shareholders who, for any reason, have difficulty receiving or accessing the Company's website, or who wish to receive printed copies of all future corporate communications and actionable corporate communications, the Company will, upon receipt of a written request by such shareholder(s)sent to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited (17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong), or via email to 2881-ecom@vistra.com, promptly provide printed copies of the relevant corporate communications free of charge.

SHAREHOLDER COMMUNICATION POLICY

The Company has established a shareholder communication policy. This policy aims to promote effective communication with shareholders and other stakeholders, encourage active engagement between shareholders and the Company, and enable shareholders to effectively exercise their rights as shareholders. The Board has reviewed the implementation and effectiveness of the shareholder communication policy, and the results are satisfactory, confirmed its effectiveness.

The Company has established multiple channels to maintain ongoing dialogue with shareholders, as follows:

- The annual general meeting provides a platform for shareholders to raise questions and exchange views with the Board;

- On the Company website, it publishes the latest important information about the Group to ensure shareholders and the investment community have timely access to relevant updates; and

- Investors may submit their opinions to the Board through the company secretary, whose contact details are disclosed in this report and on the Company's website.

The chairman and Directors (including the chairmen and/or members of various Board Committees) will attend the AGM to address questions raised by shareholders.

AMENDMENTS TO ARTICLES OF ASSOCIATION

During the year ended 31 December 2024, the Company made amendments to its Articles of Association. The Amended and Restated Articles of Association were approved by shareholders at the annual general meeting held on 21 May 2024, and became effective upon the Listing Date. The latest version of the Amended and Restated Articles of Association have been published on the Company's website and the website of the Stock Exchange for reference.

DIVIDEND POLICY

Currently, the Company has established a Dividend Policy, but it does not specify a fixed dividend payout ratio. Subject to the Cayman Islands law and the Articles of Association, the Board will determine future dividend payment recommendations and amounts at its discretion. These decisions will depend on the Company's overall business conditions, strategy, cash flow, financial performance, capital requirements, shareholder interests, tax considerations, legal and regulatory restrictions, and other factors deemed relevant by the Board. The Company will review its Dividend Policy from time to time.

ABOUT THE REPORT

Report Overview

This is the 2024 Environmental, Social and Governance ("ESG") Report of the Group. We hope that this report can convey our concepts and management practises in ESG and promote understanding and communication among the stakeholders of the Group.

Reporting Scope

Unless otherwise specified, this report covers the information and data of Wuhan Youji Holdings Ltd. and all its subsidiaries (collectively referred to as "the Group") from 1 January 2024 to 31 December 2024.

Reporting Principles

The report is issued pursuant to Appendix C2 *Environmental, Social and Governance Reporting Guide* (the ESG Reporting Guide) as set out in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. This report is in compliance with the "comply or explain" provisions set out in the ESG Reporting Guide and is prepared following the reporting principles of materiality, quantitative, balance, and consistency in a bid to fully reflect the Group's ESG management and performance during the year under review.

"Materiality": This report has been prepared to identify key stakeholders and their concerns about ESG issues and to make targeted disclosures based on the relative materiality of their concerns. We followed the ESG Reporting Guide in conducting materiality assessments, which include: i) identifying relevant ESG issues, ii) assessing the materiality of the issues, and iii) the Board review and validate the assessment process and results. We report on ESG issues based on the materiality assessment results. Details of the materiality assessment process are described in the "Stakeholder Engagement" and "Materiality Assessment" sections below.

"Quantitative": This report presents key performance indicators (KPIs) in respect of ESG in quantitative terms. The measurement criteria, methodology, assumptions, and/or calculation tools for KPIs, as well as the sources of the conversion factors used, have been described where appropriate.

"Balance": This report objectively discloses both positive and negative information to present the Group's ESG performance during the Reporting Period in an unbiased way.

"Consistency": Unless otherwise indicated, the statistical methods used in this report are consistent.

Statement of Board of Directors

The Board of Directors recognises the critical importance of Environmental, Social, and Governance in meeting the changing expectations of stakeholders while enhancing the value and performance of the Group. Hence, the Board of Directors, in tandem with the management, is committed to environmental protection and assumes the overall responsibility for assessing and identifying risks associated with the Group's ESG matters. Additionally, we take it upon ourselves to popularise the culture of environmental protection and social sustainability among the Group's employees, safeguarding the long-term development of the Group.

The Board of Directors, as the highest ESG supervising and decision-making body, oversees and manages ESG-related matters. The Board is committed to establishing a comprehensive ESG governance system. It has set up an ESG Committee and an ESG Working Group. The ESG Working Group coordinates and promotes the ESG practises of various functional departments, facilitating the implementation of ESG initiatives.

The Board of Directors reviewed and approved the Environmental, Social, and Governance Report on 26 March 2025.

Awards and Certifications

The major awards, honours, qualifications, and certifications obtained by the Group in recent years are listed below:

Awards and Honours Summary

Awards	Year of Award	Issuing Authority
Top 100 Private Manufacturing Enterprises in Hubei Province	2024	Hubei Federation of Industry and Commerce
Membership Certificate	2024	Hubei Feed Industry Association
Advanced Enterprise in Technological Innovation	2024	Hubei Feed Industry Association
Top 100 Manufacturing Enterprises in Wuhan	2024	Wuhan Enterprise Confederation & Wuhan Entrepreneurs Association
Top 100 Private Enterprises in Wuhan	2024	Wuhan Federation of Industry and Commerce
Top 50 Private Manufacturing Enterprises in Wuhan	2024	Wuhan Federation of Industry and Commerce
Third Batch of Pollution Discharge Permit Management Benchmark Enterprises in Wuhan	2024	Wuhan Municipal Ecology and Environment Bureau
Level 2 Work Safety Standardisation Enterprise	2024	Department of Emergency Management of Hubei Province
Outstanding Credible Customer	2024	Sinopec Group
First Batch of "Zero-Waste Factory" Demonstration Enterprises in Wuhan	2023	Wuhan Municipal Bureau of Economy and Information Technology, Wuhan Municipal Ecology and Environment Bureau
Specialised and innovative "little giant" enterprise	2022	Ministry of Industry and Information Technology of the People's Republic of China

Note: All listed awards and honours remain valid as of 31 December 2024.

Certifications and Qualifications Summary

Certification	Issue Year	Expiration Year
ISO 9001 Quality Management System	2024	2027
ISO 14001 Environmental Management System	2024	2027
ISO 45001 Occupational Health & Safety Management System	2024	2027
ISO 50001 Energy Management System	2024	2027
FSSC 22000 Food Safety Management System	2022	2025
BRC International Food Safety Standard	2024	2025
FAMI-QS Feed Safety & Quality Management	2023	2026
HALAL Certification (Indonesia)	2022	2026
HALAL Certification (Malaysia)	2023	2026
KOSHER	2024	2026
Assessment of the Integration of Informatization and Industrialization Management System	2023	2026

ESG MANAGEMENT

The ESG Structure

The Group attaches great importance to ESG governance. By establishing an ESG governance framework and a normalised mechanism for ESG management and responsibility fulfillment, the Group continuously enhances its own ESG governance capabilities.

Decision-making level: Board

The Board of Directors, as the highest ESG supervising and decision-making entity of the Group, takes the ultimate responsibility for fulfilling ESG strategic objectives and evaluates the Group's ESG performance on a regular basis.

Management Level: ESG Committee

The ESG Committee is responsible for ensuring the effectiveness of ESG governance. Its key responsibilities include formulating and reviewing ESG-related goals, management strategies, and action plans; identifying ESG-related risks, trends, and opportunities; monitoring the implementation and performance evaluation of ESG objectives; and maintaining robust ESG risk management and internal control systems.

Execution Level: ESG Working Group

The ESG Working Group formulates and executes specific work plans at all levels of ESG in accordance with the Group's ESG management guidelines, strategies, and overall objectives. It is responsible for identifying the connections between significant ESG issues and the Group's strategies, vision, values, and business operations; analysing the links between ESG risks and the Group's overall risk management system; regularly analysing ESG-related data; and assisting in the preparation of the Group's annual ESG report.

The ESG Working Group oversees the Audit Department, Safety and Environment Centre, and Human Resources Department in implementing the collection of quantitative and qualitative ESG data of the Group. These three departments operate with clearly defined responsibilities and collaborate to ensure the collection and auditing of comprehensive ESG data across the Group.

In addition, the Safety and Environmental Centre leads all other departments and subsidiaries in ESG related work, to enforce compliance with the Group's ESG-related policies, and manage ESG data collection, reporting, and archiving work.

Stakeholder Engagement

The Group pays full attention to the concerns and expectations of various stakeholders, continually improves its communication mechanisms and channels, and responds to all stakeholders' concerns and expectations through proactive communication.

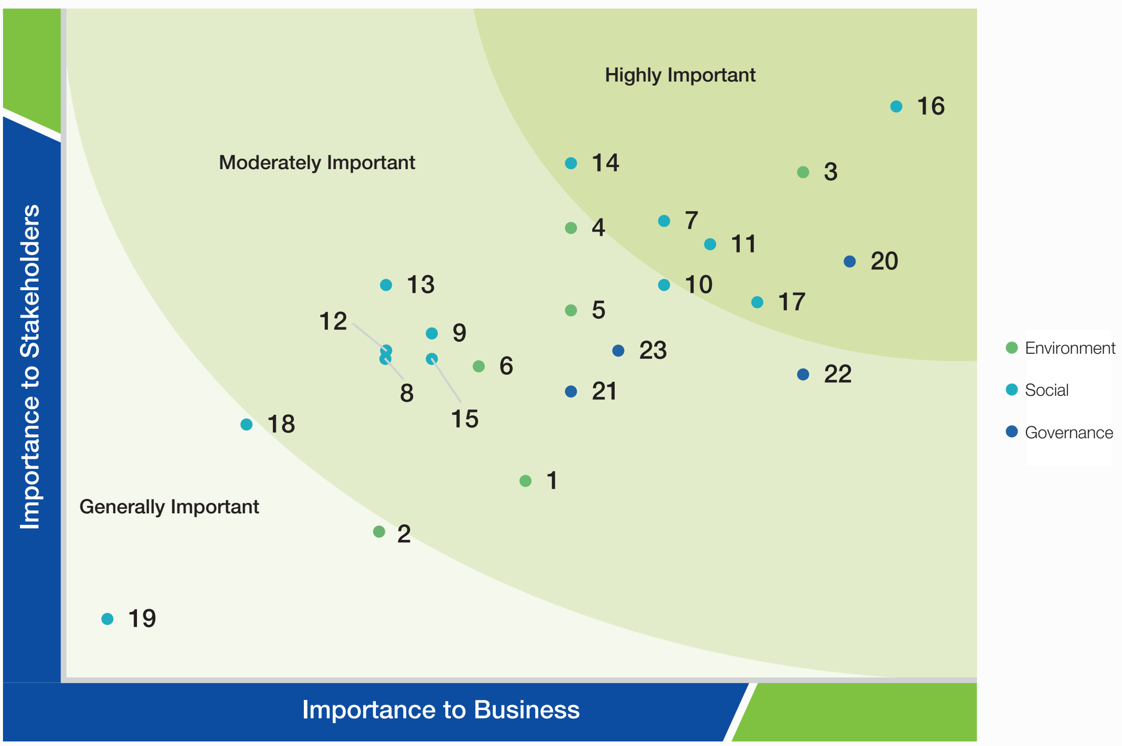
The stakeholder groups and their typical engagement channels are shown below.

Key Stakeholder	Engagement channels
Shareholders and Investors	• Annual general meetings and other shareholder meetings • Interim and annual reports • Results announcements • Investor meetings • Corporate Communications, such as letters/circulars to shareholders and notices of meetings • Shareholder/investor site visits
Customers	• Customer satisfaction surveys • Customer meetings • Customer relationship manager visits • Daily communications via calls and emails
Employees	• Employee surveys • Performance assessment • Focus group • Workshops/seminars/lectures • Employee communication meetings • Executive dialogues • Business briefings
Peers	• Workshops/Seminars/Lectures • Site visits • Industry conferences • Industry events
Suppliers	• Supplier management procedures and meetings • Supplier/Contractor evaluation systems and on-site inspections • Contract negotiations • Daily business communications
Business Partners	• Strategic collaboration projects • Exchange activities • Meetings and visits

Key Stakeholder	Engagement channels
Government/ Regulators	• Government-enterprise collaborations • Public notices • Compliance reports • Regulatory inspections
Community and Non-governmental Organisations	• Meetings • Community involvement • Company website/announcements/social media platforms • Community events, workshops, and talks
Media	• Press releases • Media interviews • Results announcements
General Public	• Information for media • The Group's website • Responding to public consultations • Notice of the construction project

Materiality Assessment

During the Reporting Period, we communicated with our stakeholders to identify potential material sustainability issues related to ESG that may affect the Group. We have further categorised these issues into different categories following the ESG Reporting Guide and collected relevant information to evaluate the impact of these ESG topics on the Group. After our analysis, we identified and prioritised 23 ESG-related topics and formalised a matrix of material issues pertaining to the environmental and social responsibilities of the Group.



Importance Level	Topic No.	Topics	Category
High	16	Product Quality and Safety	Social
	3	Pollutant Management	Environment
	20	Compliance in Business Operations	Governance
	11	Occupational Health and Safety	Social
	7	Compliance in Employment	Social
	17	Research, Development and Innovation	Social
	14	Customer Service Quality	Social
Moderate	22	Risk Management and Internal Controls	Governance
	10	Employee Rights and Benefits	Social
	4	Waste Management	Environment
	5	Energy Management	Environment
	23	Business Ethics and Anti-corruption	Governance
	21	Corporate Governance	Governance
	13	Information Security and Privacy Protection	Social
	6	Resource Management	Environment
	9	Employee Training and Development	Social
	15	Responsible Supply Chain	Social
	12	Intellectual Property Protection	Social
	8	Employee Diversity and Equality	Social
	1	Responses to Climate Change	Environment
General	2	Greenhouse Gas Emissions	Environment
	18	Industry Collaboration and Ecosystem Development	Social
	19	Community Dedication	Social

Based on the above analysis, the Group will continuously improve its ESG performance to meet the diverse expectations of stakeholders and provide feedback to stakeholders and implement mitigation actions to address the risks faced by the Group.

OUR ENVIRONMENT

Aspect A1: Emissions

Environment Management

The Group demonstrates unwavering commitment to environmental stewardship. We maintain strict compliance with applicable environmental regulations, standards, and institutional requirements. Through the establishment of rigorous internal governance frameworks, including the Wuhan Youji Environmental Management System, we have implemented comprehensive measures for environmental protection and pollutant control. Concurrently, we actively promote energy efficiency initiatives to systematically reduce emissions of pollutants and greenhouse gas (GHG) across production, operations, and infrastructure development.

Our compliance framework encompasses current national and local environmental regulations, including but not limited to:

— *Environmental Protection Law of the People's Republic of China*

— *Water Pollution Prevention and Control Law of the People's Republic of China*

— *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*

— *Law of the People's Republic of China on Prevention and Control of Soil Contamination*

— *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*

— *The Yangtze River Protection Law of the People's Republic of China*

— *Cleaner Production Promotion Law of the People's Republic of China*

— *Law of the People's Republic of China on Environmental Impact Assessment*

— *Regulations of the Hubei Province on the Prevention and Control of Atmospheric Pollution*

— *Regulations of the Hubei Province on the Water Pollution Prevention and Control*

— *Regulations of the Hubei Province on Prevention and Control of Soil Contamination*

To effectively implement internal environmental management systems, we have established comprehensive frameworks to ensure operational compliance with environmental regulations and minimise ecological impact:

- Environmental Planning: Incorporated environmental protection into long-term corporate and plant development strategies.

- Responsibility System: Implementation of tiered environmental accountability, development of environmental plans, annual targets, and multi-level implementation.

- Clean Production & Environmental Monitoring: Enhance production process controls via cleaner production practises and real-time environmental monitoring.

- Pollution Prevention: Conduct environmental inspections and risk identification procedures.

- Pollution Control: Execute comprehensive management plans, including pollution prevention protocols and daily operational supervision.

- "Three Simultaneities" Implementation: Ensure synchronised execution of both environmental facility and main project in design, construction, and commissioning.

- Green Procurement: Prioritise environmentally certified equipment.
- Environmental Training & Evaluation:
  - ➢ Mandatory environmental training for new hires (pre-employment certification)
  - ➢ Environmental KPIs in leadership promotion assessments
- Emergency Preparedness: Maintain contingency plans for pollution incidents.

As a responsible fine chemical products manufacturer, the Group has obtained ISO 14001 Environmental Management System certification and established near-term environmental targets to advance environmental stewardship across operations. During the Reporting Period, the Group recorded zero environmental incidents or major non-compliance cases.

Pollutant Emissions

The Group's operational emissions primarily originate from production processes and laboratory activities, encompassing gaseous waste, liquid waste, hazardous solid waste, and noise pollution. In adherence to national and local pollutant discharge permit regulations, we have implemented more stringent self-monitoring protocols and management measures. Through these measures, we control pollutant emissions to mitigate impacts on atmospheric, terrestrial, and subsurface water systems. Additionally, standardised management protocols govern the disposal of non-hazardous waste generated during daily operations.

Air emissions and wastewater

For air emissions generated during production processes, we adopt a combination of treatment and monitoring methods to ensure that gases emitted into the atmosphere comply with discharge standards. We employ exhaust gas treatment measures to manage various pollutants generated during manufacturing processes. In strict accordance with national standards and the Group's regulations, we deploy environmental monitoring instruments, establish environmental monitoring and analysis methods, and conduct regular monitoring of pollutant emissions in line with environmental monitoring plans to ensure the timely, accurate, and standardised provision of monitoring data.

Wastewater generated during production processes and domestic sewage are collected and treated at the Group's wastewater treatment facilities. The treated wastewater is then transported via pipelines to the third-party sewage treatment plant located within the industrial park for further treatment. We have also installed online monitoring facilities at the discharge outlets, which are connected to the Wuhan Municipal Ecology and Environment Bureau, to ensure that the discharged wastewater complies with national and local discharge requirements.

In addition to monitoring air and water pollutant indicators mandated by national and local regulations, we also monitor a broader range of emission indicators per the Group's requirements to enforce stricter emission management standards.

Furthermore, we ensure compliance with pollutant discharge standards by optimising pollution control facilities, maintaining proper production operations, and promptly rectifying abnormal discharge incidents in pipeline networks.

During the Reporting Period, the Group's emissions of waste gas and wastewater complied with national emission standards.

Noise

Regarding noise potentially generated during the operation of production facilities, we reduce source noise through the adoption of low-noise equipment, vibration isolation and damping measures, and installation of silencers. Additionally, we minimise noise by rationally arranging production equipment and planting tall vegetation around the production base.

Waste

The Group's hazardous waste originates from production processes and laboratory operations, including dangerous solid wastes such as distillation residues, sludge, waste activated carbon, waste oil, waste resins, packaging waste, and laboratory waste. Non-hazardous waste includes domestic waste and other waste generated during corporate operational activities, such as construction waste and demolition debris.

The Group implements rigorous waste management through established systems, including *Implementation Rules for Solid Waste Pollution Prevention and Control and Management Rules for Outsourced Disposal of Hazardous Waste*. Based on economically viable and environmentally friendly pollution control technologies, we actively advance waste reduction,

We prioritise source reduction of waste generation through the following measures:

- Require the Procurement Department to prioritise purchasing products that generate no solid waste

- Employ advanced process technologies to minimise waste generation during production. For example, leveraging our proprietary patents and technical know-how, we recover by-products from upstream processes and enhance reaction yields, thereby significantly reducing manufacturing waste and residues.

For all generated waste, we implement strict classification, collection, storage, transportation, utilisation, and disposal according to waste characteristics, along with rigorous whole-process supervision to prevent secondary pollution.

- We establish dedicated hazardous waste storage facilities for hazardous solid waste generated from production and laboratory activities. All waste-generating units collect and temporarily store waste in these facilities before transferring it to licenced disposal providers for safe treatment. Additionally, we implement elevated management protocols for packaging waste contaminated with general materials, entering into safe disposal contracts with qualified service providers.

- We implement recycling programmes or return materials to suppliers for circular utilisation for production-related general solid waste, such as wooden pallets and non-hazardous packaging bags.

- We strictly manage and dispose of domestic waste in compliance with local regulatory requirements.

Environment Protection Practises

We continuously explore new environmental protection practises and are committed to persistently reducing pollutant emissions.

During the Reporting Period, the Group completed the construction and commissioning of two environmental protection retrofit and upgrade projects. These projects have been publicly disclosed in accordance with the *Regulations on the Environmental Protection Management of Construction Projects* and *the Announcement on the Issuance of the "Interim Measures for Environmental Protection Acceptance upon Completion of Construction Projects"*. Through the environmental upgrade initiatives — industrial benzoic acid system upgrades and conversion from thermal oil to steam boilers — the Group will further optimise emissions during production processes.

In 2024, we also reduced solid waste emissions by optimising exhaust gas treatment systems. We replaced activated carbon adsorption with recyclable resin column adsorption. This modification eliminates substantial solid waste generated from activated carbon replacement. The optimised solution was implemented in 2024 and is projected to reduce activated carbon-related solid waste by approximately 2,400 kilogrammes annually.

Environmental Protection Awards

We steadfastly implement stringent requirements for environmental protection production, and waste management, enhancing environmental governance through the adoption of a "Garden-Style Factory" model. During the track record period, our emissions of major pollutants have consistently remained within regulatory limits. Our exemplary environmental performance has earned multiple honours in the field, with recently received awards including:

- In 2023, Wuhan Youji Industries Co., Ltd. was successfully selected into the first batch of "Zero-Waste Factory" demonstration enterprises in Wuhan jointly announced by the Wuhan Municipal Bureau of Economy and Information Technology and the Wuhan Municipal Ecology and Environment Bureau.

- In 2024, Wuhan Youji Industries Co., Ltd. was awarded the "Third Batch of Pollutant Discharge Permit Management Benchmark Enterprises in Wuhan" by the Wuhan Municipal Ecology and Environment Bureau.

Greenhouse Gas Emission

During the Reporting Period, the Group's direct greenhouse gas (GHG) emissions primarily originated from natural gas consumption in production processes, fuel usage by company vehicles, and forklift operations at production facilities. Indirect GHG emissions are derived from purchased electricity consumption for production processes and office operations, as well as purchased steam consumption in manufacturing activities.

We are committed to reducing GHG emissions through energy conservation and emission reduction strategies in production processes while promoting green office initiatives to minimise emissions from daily office activities.

Environmental Targets

- Greenhouse Gas Emissions Target: Achieve carbon dioxide (CO_2) emission peak by 2026, reduce total CO_2 emissions by 3% in 2025 compared to 2024 base year.

- Environmental Management Target: Reduce the generation and discharge of the "Three Wastes" (Wastewater, waste gas, solid waste) by 10%.

Aspect A2: Use of Resources

The Group is committed to building a resource-saving and environmentally friendly enterprise. We strictly comply with laws and regulations, such as the Energy Conservation Law of the People's Republic of China and the Water-Saving Regulations, implementing energy conservation and resource efficiency measures throughout our production and operational processes. We are dedicated to improving energy utilisation efficiency, promoting resource conservation, and achieving low-carbon production and operations.

Energy Use

The Group's energy consumption is primarily from purchased electricity, natural gas, and steam used in production processes, as well as electricity consumption for offices, laboratories, and employee dormitories.

Production-related energy accounts for the largest proportion of our total energy usage. We continuously strive to enhance energy efficiency through process optimisation and actively implement energy recovery measures to improve energy utilisation rates. In 2024, we introduced the following energy recovery measures:

- Waste Pressure Power Generation: Utilising pressurised waste gas from production processes to generate electricity, reducing reliance on purchased power. This measure has achieved electricity savings of 2,023,083 kWh in 2024.

- Waste Heat Recovery

  ➢ Steam generated during production is used to heat the falling-film evaporator system, which reduces purchased steam consumption. Steam savings by implementing this measure are 23 tonnes per month.

  ➢ Preheating benzyl chloride and toluene feedstocks with steam condensate from production processes to decrease purchased steam demand. Steam savings by implementing this measure are 216 tonnes per month.

Additionally, the Group promotes green office practises by implementing energy-efficient appliances and fostering energy-saving awareness and behaviours. For example, lighting in work areas is switched off during non-business hours to minimise unnecessary energy waste and optimise energy consumption.

In recognition of the Group's standardised, systematic, and efficient energy management practises, we obtained ISO 50001 Energy Management System Certification in 2024.

Furthermore, our energy conservation measures are monitored through annual carbon emission compliance reviews conducted by the Hubei Provincial Department of Ecology and Environment. In strict accordance with regulations implemented by the Hubei Provincial Department of Ecology and Environment, we adhere to carbon compliance requirements, cooperate with audit authorities on emission inspections, phase out outdated equipment per environmental laws, adopt calibrated metering instruments, and regularly report energy consumption data as per statistical mandates.

Use of Water

The Group advocates efficient water resource utilisation. Our water consumption is primarily used for production processes and daily office operations. In production process, water usage comprises ethylene-process water and municipal water. For daily office operations, we use municipal water, covering usage in office areas and laboratories. In production processes, we actively implement water conservation measures, such as adopting water recycling systems and enforcing water-saving management. We also promote water-saving awareness in daily office activities, and employ water-efficient fixtures to minimise water consumption.

Use of Other Resources

Given the nature of our business operations, the main raw materials used in production are chemicals — including petroleum toluene, sodium hydroxide, chlorine, and sodium carbonate. We also use nitrogen gas for safety protection in production processes. In addition, we use packaging materials such as steel plates, plastics, and wood for product packaging.

We continuously enhance production technologies and improve quality control to increase raw material utilisation efficiency. To optimise nitrogen usage, we have reduced nitrogen leakage by installing pressure-stabilising valves on nitrogen storage tanks. We have adopted a series of measures to reduce the use of packaging materials. For instance, we require suppliers to optimise stretch film materials while ensuring quality, through which we have effectively reduced stretch film usage by 20% In 2024, we upgraded to high-performance stretch wrapping machines with better tensile control, which further reduced stretch film consumption. In addition, we continuously innovate packaging design to minimise material usage. In 2024, we introduced strapping machines that use heat-sealing technology to secure packages, eliminating the need for metal fasteners. Furthermore, we strengthened coordination with production department and suppliers to optimise procurement planning, effectively avoiding material waste caused by expiration.

Aspect A3: The Environmental and Natural Resources

The Group strives to minimise the environmental and natural resource impacts of our business operations, advocating for sustainable development.

We enhance employees' environmental protection awareness through education and training, support community and industry initiatives related to environmental conservation and sustainable development, and conduct regular assessments and monitoring of business activities affecting health, safety, and environmental matters across historical and current operations. By integrating the management systems and measures outlined in the "Emissions" and "Use of Resources" sections, we endeavour to reduce our impacts on the environment and natural resources to the greatest extent possible.

Aspect A4: Climate Change

Climate change has become a global challenge that we all face together. The Group is deeply aware that the risks caused by climate change will have a significant impact on our business operations.

The Group actively responds to the climate change initiatives of the Paris Agreement and China's "Carbon Peak and Carbon Neutrality" dual carbon goals. We identify climate-related risks and opportunities, disclose climate risk management information following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and fully consider the impacts of extreme weather, national climate actions, and tightening environmental regulations on our industry. By identifying and analysing our climate risks and opportunities, we have developed a climate risk inventory and formulated targeted response measures to enhance climate resilience. Currently, the Group has established operational mechanisms and contingency plans to identify, prevent, and mitigate climate-related issues with significant impacts, continuously improving our capacity to address climate change.

Risk Category	Impact on the Group	Mitigation Measures
Physical Risks		
Acute Risk: Extreme Weather Events	— Employee safety risks due to extreme weather. — Potential property damage to facilities and equipment. — Disruptions to product transportation and storage.	— Implement preventive measures for employees during typhoons/heavy rainfall (e.g., remote work arrangements). — Monitor weather forecasts and activate safety protocols in advance. — Establish emergency plans and drills in response to extreme weather events
Chronic Risks: Rising Global Temperature and Sea Levels	Altered working conditions and reduced production efficiency due to temperature rises.	— Provide more measures for cooling. — Reduce outdoor work hours.

Risk Category	Impact on the Group	Mitigation Measures
Transitional Risk		
Policy & Regulatory Risks: Tightening of Climate Policies	Legal penalties and financial burdens from non-compliance with disclosure requirements.	— Track regulatory trends to ensure emissions compliance with updated policies and regulations. — Align corporate strategy with national environmental and the dual carbon goals. — Set long-term decarbonization targets — Optimise production processes and pollutant treatment facilities to minimise emissions and energy use.
Technological Risks: Market Shift to Low-Carbon Technologies	Revenue loss if products fail to meet energy efficiency and environmental standards.	— Invest in green energy production — Expand adoption of energy-saving and low-carbon technologies — Retrofit equipment to improve energy efficiency
Market Risks: Rising Demand for Green Products	Loss of competitiveness if unable to provide low-carbon products.	— Analyse market trends to develop green products — Disclose product carbon footprint via lifecycle assessments
Reputational Risks: Stakeholder Perception of Low-Carbon Transition	Reduced investor/customer engagement and revenue loss due to poor ESG performance.	— Disclosure and publicise ESG achievements

OUR EMPLOYEES

The Group values its employees and is committed to providing a fair and equitable work environment for all employees. In this section, we introduce the various policies and practises adopted by the Group with regard to employment, health and safety, development and training, and labour standards.

Aspect B1: Employment

The Group is aware of the laws and regulations on the protection of the labour force established by the PRC. During the Reporting Period, the Group was committed to strictly complying with its requirements when recruiting employees, which include but are not limited to the following:

- *Labour Law of the People's Republic of China*
- *Employment Promotion Law of the People's Republic of China*
- *Labour Contract Law of the People's Republic of China*
- *Social Security Law of the People's Republic of China*
- *Tentative Provisions on Payment of Wages*
- *Regulations on the Housing Provident Fund*
- *Law of the People's Republic of China on Mediation and Arbitration of Labour Disputes*
- *Regulation on Work-related Injury Insurance*

The Group recruits employees in compliance with legal requirements, fulfilling terms related to the execution, modification, termination, or dissolution of labour contracts with all employees. Labour contracts are implemented in accordance with national laws and regulations and relevant internal policies. Employment relationships become effective only after mutual agreement and voluntary signing of labour contracts by both parties.

We promote a work-life balanced lifestyle. Working hours are explicitly defined in contracts and the Employee Handbook, strictly enforced in practise with no encouragement of overtime work. When overtime is necessary, employees must submit formal requests and receive compensatory time-off proportional to overtime hours worked. Beyond statutory holidays and regular days off, we provide annual leave, sick leave, maternity leave, marriage leave, and work-related injury leave in full compliance with national regulations.

Recruitment and Promotion

The Group adheres to the principles of "legal compliance", "equal competition", and "role competency alignment" in talent recruitment. We develop recruitment plans based on actual operational needs annually, strictly prohibiting employment discrimination — including gender and age — during hiring processes. We take the suitability of capabilities as the primary principle for recruitment screening. The *Wuhan Youji Recruitment, Onboarding, and Employment Transfer Management Regulations* explicitly forbid child labour recruitment and gender discrimination.

We provide employees with clear career progression pathways, established through the *Wuhan Youji Technical Title Evaluation and Appointment Management Regulations*. A standardised evaluation mechanism comprehensively assesses employees' professional competence, personal integrity, and job performance achievements, with annual technical title evaluations and promotions conducted once per year.

Benefits and Care

We regard employees as our most valuable asset. In addition to annual leave and paid sick leave, we continuously enhance and upgrade employee benefits. A labour union has been established to actively secure welfare rights and safeguard employees' physical and mental health.

Our employee benefits primarily include the following aspects:

➢ Health Checkups: Annual health examinations for all staff, with additional irregular health examinations for employees in specific positions.

➢ Holiday Benefits: Offering gifts during annual festivals such as Spring Festival, International Women's Day, Mid-Autumn Festival, Lantern Festival, and employee birthdays.

➢ Medical Subsidies: Annual enrollment in a comprehensive medical mutual aid programme for all employees.

➢ Meal Subsidies: Monthly meal subsidies provided to all staff.

➢ Free Shuttle Service: Complimentary shuttle buses to facilitate employee commuting.

➢ Compassionate Care Allowances: Provision of financial support for visiting employees hospitalised due to illness; Funeral assistance grants for families of deceased retired employees.

➢ Heat Prevention Allowances: Preemptive distribution of heat prevention supplies to all employees during summer.

➢ Aid for Employees in Need: Annual financial aid distribution to employees facing hardships.

➢ Retiree Care: Annual distribution of retirement gifts to employees retiring within the year.

We provide diverse employee activities for staff to experience the Group's care and warmth beyond work responsibilities.

We highly value employees' dedication and hard work. We meticulously organise an annual gala, inviting all employees to participate annually. This event publicly recognises and sincerely thanks staff for their contributions to the Group's development throughout the year. Recognising that production line employees who are unable to attend the annual meeting in person to ensure uninterrupted production continuity, the Group has implemented targeted care initiatives to honour their dedication.

Additionally, to actively advance corporate culture development, strengthen employee cohesion, and enhance physical fitness, we organise all-staff team-building activities annually. In 2024, we organised employees to visit Honghu Lake in Hubei Province and conducted a vibrant and engaging team-building activity. In addition, we organised a year-end hiking event at Changsha Orange Isle in Hunan Province to foster team cohesion and mark the transition into the new year.

Employee Communication

We consistently uphold open and equitable principles and place paramount importance on employees' opinions and ideas while proactively listening to their feedback. To ensure diverse and accessible communication channels, the Group engages in regular, flexible dialogue with employees through multiple approaches. Employees may directly communicate with supervisors or raise concerns to the Human Resources Department at any time regarding suggestions, complaints, or requests.

Aspect B2: Health and Safety

"Safe Youji, Harmonious Community" serves as our safety vision. As a responsible specialty chemical manufacturing company, we obtained the ISO 45001 Occupational Health and Safety Management System Certification in 2024. We strictly comply with relevant laws and regulations, including the *Work Safety Law of the People's Republic of China* and the *Fire Protection Law of the People's Republic of China*, aiming to build an "Inherently Safe Enterprise". A comprehensive set of internal health and safety management systems has been established to fully safeguard employees' safety and health during production and workplace activities.

The Group recorded zero work-related fatalities or injuries in 2022, 2023, and 2024, and consequently, no workdays were lost due to occupational accidents during this period.

Production Safety

The Group implements the safety principle of "Safety First, Prevention Focused, Comprehensive Governance". Adhering to internal health and safety management systems, including but not limited to the Work Safety Responsibility Management System, Safety Risk Classification and Control System, and Work Safety Information Management System, we have established a robust safety management system and implemented multiple work safety procedures.

- **The Safety Responsibility System**
  We have established a comprehensive safety management framework to implement a top-down safety accountability system. The Work Safety Committee, as the highest decision-making body for corporate safety management, is responsible for managing, researching, and investigating safety-related matters; formulating company-wide safety policies and emergency plans; reviewing annual HSE (Health, Safety, Environment) management objectives and plans; and monitoring and evaluating departmental implementation. The Safety and Environmental Centre leads and oversees specialised safety initiatives and day-to-day safety operations. Each production facility operates a dedicated Safety and Environmental Department to manage site-specific safety protocols.. Additionally, production departments collaborate with frontline departments, such as the Quality Management Department, Quality Inspection Department, and Warehouse Management Department, to ensure full implementation of safety protocols.

  ➢ We have implemented a company-wide safety responsibility system with evaluation criteria to strengthen all employees' safety awareness.

  ➢ For major hazard sources, we have adopted a safety responsibility system with designated responsible personnel to ensure full compliance with safety management measures.

- **Safety Risk Management**

  ➢ We have established a safety risk classification and control system. Classify the risks associated with hazard sources and determine the risk control methods at different control levels according to factors such as different risk levels, required control resources, control capabilities, and the complexity and difficulty of control measures to effectively promote the construction of the "dual prevention mechanism".

  ➢ We have established a long-term mechanism for the investigation and treatment of potential accident hazards. In the production process, we implement safety inspections of production equipment, facilities, production procedures, etc., as well as accurately investigate, identify, and analyse the causes and patterns of the occurrence of potential accident hazards, so as to effectively control and eliminate all kinds of potential safety risks.

- **Safety and Quality Standardisation**
  - ➢ Promoted work safety standardisation by developing safety guidelines and operational manuals to guide the implementation of production standardisation.
  - ➢ Implemented a self-assessment system for safety standardisation to ensure suitability, sufficiency, and effectiveness of the safety standardisation management system, promoting continuous improvement.
- **Emergency System for Production Safety Accidents**
  - ➢ Created the Emergency Management System defining responsibilities and procedures.
  - ➢ Developed emergency plans aligned with the *Guidelines for the Preparation of Work Safety Emergency Plans by Production and Business Entities*, which are the results of company-specific risk and emergency response capability assessments.
  - ➢ Conducted quarterly on-site emergency drills and biannual comprehensive or specialised drills to ensure readiness.
- **Work Safety Information Management**
  - ➢ Established a Work Safety Information Management System to collect, analyse, and disseminate safety data in a timely and accurate manner, enabling real-time monitoring and enhanced safety governance.

Furthermore, our daily operations involve the storage, processing, and use of flammable, toxic, and explosive materials. We fully recognise that improper management of these materials could cause severe health impacts or physical injuries to employees. Comprehensive guidelines and policies have been established for toxic and flammable materials management, including *the Hazardous Chemical Safety Management System*, which standardises safety management protocols throughout the procurement, production, usage, storage, transportation, sales, and disposal of hazardous chemicals.

In every aspect of our production activities, we prioritise safety by strictly following our comprehensive safety production protocols and management systems. We integrate safety practises into daily workflows and proactively implement actionable safety production measures. In 2024, we were successfully awarded the "Level 2 Work Safety Standardisation Enterprise" by the Department of Emergency Management of Hubei Province, marking the Group's safety production level among industry benchmark.

Occupational Health

We prioritise occupational disease prevention, implementing the "Three Simultaneities" programme requiring simultaneous design, construction, and commissioning of main production facilities and occupational hazard control systems in new projects. A comprehensive set of occupational health and safety management systems has also been established, addressing protective measures, prevention responsibilities, monitoring and evaluation, emergency rescue, and incident management to fully safeguard employees' occupational health. For example, in terms of occupational disease prevention measures, we conduct regular on-site occupational hazard testing to monitor soluble dust, organic compounds, and other potential occupational hazard sources, ensuring all indicators remain within safe thresholds. We organise regular occupational health examinations for employees to accurately assess their health status, enabling early detection, prevention, and treatment of potential health issues. Additionally, we provide employees with specialised personal protective equipment (PPE) tailored to occupational hazards, effectively reducing their exposure to potential occupational hazards during production processes.

Additionally, we appoint Occupational Health and Safety (OHS) representatives to engage employees in occupational health management. Representatives can participate in developing and reviewing risk management procedures from frontlines operational perspectives, discussing changes affecting workplace OHS conditions, and conducting inspections and investigations of OHS matters. Meanwhile, representatives can also support OHS initiatives by facilitating communication, collection, and dissemination of OHS-related information, organising employee participation in best OHS practises, and providing recommendations on workplace OHS improvement.

Safety Training

To further prevent production safety accidents and mitigate occupational hazards, we implement safety education and training in compliance with the *Work Safety Law of the People's Republic of China*, the *Work Safety Training Regulations for Production and Business Entities*, and other relevant laws and administrative regulations.

Our safety training programmes target all employees and external stakeholders, including contractors, labour dispatch personnel, interns, and visitors.

- For Employees: Annual training in safety knowledge, operational procedures, and emergency drills is conducted to enhance safety awareness and incident response capabilities. Safety management personnel must complete state-mandated training and obtain safety management qualification certificates before assuming roles, with strict annual training hour requirements.

- For New Entrants: Mandatory three-tier safety education and training (corporate, workshop, and team level) is enforced. All new entrants must complete at least 72 hours of training before onboarding.

- For Visitors: Pre-entry safety briefings are required, with designated escorts assigned for supervision.

- For Contractors: Tailored safety training plans are implemented, with dedicated contractor training archives established and maintained.

Aspect B3: Development and Training

The Group is aware that employees are the key to corporate sustainable development. We value employee development and training and are committed to building a full-scale and multi-level growth platform for them. This is aimed at enhancing employees' professional skills and competitiveness while providing solid talent support for the long-term and stable development of the Group.

The Group constantly refines the training system in light of business characteristics. Our training programmes span a wide range, including safety and environmental protection, compliance, professional skills, and management abilities. Additionally, we design highly targeted training plans tailored to specific job positions.

In 2024, we have carried out a number of training sessions, covering various aspects such as safety knowledge training, compliance training, operation process training, and emergency response training.

To effectively stimulate employees' enthusiasm during work and motivation for career development, the Group operates annual recognition for employees. We select and reward outstanding employees, as well as those who contribute significantly in production, tech, marketing, management, or handling emergencies.

Aspect B4: Labour Standard

The Group strictly adheres to relevant conventions of the International Labour Organisation and complies with applicable laws and regulations of the countries and regions where it operates in administering recruitment and employment practises. It strictly prohibits any form of child labour or forced labour. The Group's *Employee Handbook* clearly states the prohibition of child labour, and the Human Resources Department rigorously verifies the identities of new employees through compliance measures such as collecting and cross-checking original identification documents and employment registration forms to ensure that no child labourers are hired. Additionally, working hours are clearly defined in employment contracts and the *Employee Handbook*, with strict enforcement during operations. We discourage overtime work and provide reasonable leave entitlements to eliminate risks of forced labour.

During the Reporting Period, we did not identify any issue related to child labour or forced labour within the Group.

OUR BUSINESS

Aspect B5: Supply Chain Management

The Group places high importance on supply chain management, committed to creating an open, transparent, and fair collaborative environment, continuously optimising supplier management system to achieve win-win outcomes with supplier partners while safeguarding corporate interests. In accordance with the *Bidding Law of the People's Republic of China* and the *Regulations for the Implementation of the Bidding Law of the People's Republic of China*, we have established comprehensive procurement management systems, including *Procurement Plan Development Process, Supplier Bidding and Negotiation Process, Procurement Order Management Standards, Supplier Master Data Management Standards, and Procurement Contract Management System*, to standardise and implement compliant procurement practises and supplier management.

To enhance procurement transparency, we launched the transparent procurement platform. Through this platform, we publish material requirements and conduct transparent supplier inquiries, price comparisons, negotiations, and transactions, covering almost all categories of materials including raw materials, packaging, equipment, and components.

We adopt and maintain procedures to manage and evaluate suppliers. When selecting suppliers, we consider pricing levels, qualifications, production capacity, delivery timelines, quality control, and production facilities. We assess supplier performance based on evaluation criteria annually. Suppliers failing to meet standards will be removed from the procurement list.

In addition, the Group is dedicated to sustainable procurement. In addition to product quality, service capabilities, and corporate reputation, we prioritise and monitor suppliers' environmental and social responsibility commitments and actions:

- Environmental protection and social responsibility self-assessment requirements are incorporated into contracts.

- We evaluate suppliers using the *CSR Risk Identification and Assessment Form*, which assesses performance in labour rights (including prohibition of child/forced labour), environmental management, occupational health and safety, and safety compliance. Suppliers with low scores will be discontinued. Annual on-site audits are conducted for key suppliers to review compliance, product quality, their upstream suppliers' control initiatives, and capabilities of environmental and social risk management.

- Suppliers that excel in environmental and social performance are prioritised

- We communicate the Group's sustainable procurement policies and requirements with the supplier using the *Supplier Notification on Environmental and Social Issues*.

- We strictly implement the *Anti-Corruption and Anti-Commercial Bribery Implementation Standards* during procurement.

- In 2024, we introduced the *Supplier Code of Conduct*, which requires suppliers to sign it during the contract stage. Through this code, we require suppliers to comply with laws, regulations, and business ethics. They are also re. Additionally, we require suppliers to commit to legal, ethical, and regulatory compliance in labour rights, environmental protection, product quality, product safety, data privacy, social responsibility, prohibition of child/forced labour, anti-corruption, and anti-fraud. Meanwhile, we require suppliers to fulfill their supply chain responsibilities and impose the same requirements on their upstream suppliers.

During the Reporting Period, we had a total of 97 suppliers, all of whom were from China. All suppliers complied with the relevant practises regarding the engagement of suppliers set by the Group.

Aspect B6: Product Responsibility

Product Quality

As a leader in the toluene derivatives industry, the Group is committed to providing high-quality products primarily used as food preservatives, household chemicals, animal feed acidifiers, agricultural chemicals, and synthetic intermediates for pharmaceutical applications. Driven by our unwavering pursuit of product quality and safety, we have established and continuously refined our robust quality control system and implemented stringent quality measures throughout the product lifecycle.

Quality Management Department

We have established a dedicated Quality Management Department to supervise and enforce product quality standards. The department consists of a Quality Control Team and a Quality Inspection Team, with professional staff with extensive technical expertise and thorough understanding of production processes:

- **Quality Control Team:** Oversees the management and maintenance of the quality control system, including setting quality standards and policies, organising monthly quality control meetings, implementing quality improvement initiatives, and participating in quality assessment activities. Additionally, the team is responsible for reviewing and evaluating suppliers from a quality control perspective.

- **Quality Inspection Team:** Conducts inspections of raw materials, finished products, intermediates, and packaging materials to ensure compliance with quality requirements. The team regularly reports product quality findings to senior management.

Quality Control Procedures

- **Raw Material Procurement**
  We fully recognise the critical impact of raw material quality on final product quality. Therefore, we have established a raw material quality control system to monitor sample inspections and raw materials testing before delivery to production facilities. The warehouse management department and the quality inspection team generate quality inspection reports and documentation, which are further reviewed and archived by the procurement department and other relevant departments.

  For raw materials with significant impacts on product quality, we require production facilities to conduct trial runs during the initial supply phase. If a batch of raw materials fails to pass inspection and testing procedures, it is labelled as non-compliant and handled according to the Non-Conforming Materials Control Procedures.

- **Production Process Monitoring**
  The production department is responsible for developing and executing monthly production plans. Based on these plans, production facilities operate in compliance with standard operating procedures. Production personnel control processes to meet specified parameters and maintain written records of operational responsibilities. During production, we adhere to industry standards and certification requirements to ensure product quality.

  During production, dedicated quality control staff closely monitor each production stage. The quality control team is responsible for ensuring that the production follows the production procedure guidelines and that the products meet internal quality, hygiene, and food safety standards specified in the internal guidelines, as well as regulations and standards of China and other countries to which our products are exported.

- **Finished Product Quality Control**
  Each batch of finished products undergoes sample tests and inspections. Products are only delivered to customers after verifying that they meet the relevant quality standards and product specification requirements and that their labels are appropriate and accurate.

- **Packaging and Transportation Oversight**
  We maintain specific procedures for product packaging and transportation. Packaging must comply with relevant national standards. Our package containers are contamination-resistant and meet hygiene requirements. Products contaminated due to improper storage or transportation are treated as waste and prohibited from reuse.

- **Corrective and Preventive Measures**
  For the products that have received customer complaints, the quality management department will conduct an investigation and formulate corrective and preventive measures, which will be applied to the relevant links to avoid the recurrence of similar incidents in the future. To ensure effective implementation of corrective and preventive measures and continuous improvement, each department will systematically summarise and analyse the implementation status of the corrective and preventive measures taken at the end of each year. This summarised information will be submitted to the management review meeting, enabling the company management to conduct a comprehensive assessment of the Group's overall quality management system, promptly identify potential problems, and make corresponding adjustments to improve the company's product quality and customer satisfaction continuously.

Quality Management Training

In order to continuously improve quality management capabilities, we develop specific training plans for production and quality management teams annually, focusing on quality control and product evaluation. In 2024, we conducted training sessions covering updated food safety management standards, hygiene and clean zone management protocols, food safety protection measures, regulations on food safety risks, Halal compliance knowledge, etc. These trainings help to strengthen employees' knowledge relating to quality and safety and enhance their capability in quality control.

Quality Management Certifications

With our robust quality control system, our products and production facilities have obtained multiple domestic and international quality management certifications.

Certification	Issue Year	Expiration Year
ISO 9001 Quality Management System	2024	2027
ISO 22000 Food Safety Management System	2022	2025
FSSC 22000 Food Safety Management System	2022	2025
BRC International Food Safety Standard	2024	2025
FAMI-QS Feed Additives and Premixtures International Quality System	2023	2026
HALAL[1] Certification (Indonesia)	2022	2026
HALAL[1] Certification (Malaysia)	2023	2026
KOSHER[2]	2024	2026

Note:

1: HALAL: Certification of permissible food under traditional Islamic law

2: KOSHER: Certification for food that conforms to regulations of Jewish religious dietary laws

We will renew these certifications and licences upon expiry.

During the Reporting Period, the Group was not aware of any material violations of product liability laws or regulations, including but not limited to the *Product Quality Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*.

In 2024, the Group accomplished its quality objectives. The pass rate of finished product testing stood at an exemplary 100%, and all equipment and instruments maintained a perfect functionality rate of 100%. Throughout the year, there were no significant customer complaints of product quality, and no food, pharmaceutical, or feed safety accidents transpired.

During the Reporting Period, the Group has not issued any product recalls due to safety or health-related issues.

Customer Service

The Group is customer-oriented. To enhance customer service standards, we earnestly listen to customers' needs and expectations and offer them suitable solutions.

The Group has established a comprehensive and detailed management system, covering key aspects such as customer relationship management system, governance structures, customer maintenance, demand management, and complaint handling. This system is designed to deliver high-quality, efficient, and satisfactory service experiences, fostering long-term collaboration and mutual development with customers, while fulfilling the Group's commitments to social responsibility.

We stress the great importance to the standardised and systematic customer management. We have formulated policies and procedures such as *Customer Management Policy, Overseas Sales Administration Regulations, Anti-Bribery and Anti-Corruption Policy for Sales & Marketing, Customer Development Management Protocol, Distributor Governance Framework, Sales Planning Management Procedures, Customer-Related Process Control Protocol*. Our daily operation strictly adheres to these policies and procedures, it ensures compliance and effectiveness in all customer management activities.

Customer Management Mechanism

We have carried out scientific customer relationship management based on their scale and the business nature. Key customers and major distributors are managed centrally to ensure that we can allocate our premium resources to provide more targeted and high-quality services. As for small and medium-sized customers, dedicated salespersons are assigned based on locality for speedy responses to the customers.

Customer Communication

The sales department maintains full product life-cycle engagement with customers.

- At the pre-sales stage, salespersons conduct investigations and determine the customer's specific product requirements by face-to-face meetings, telephone calls, and faxes. These requirements include the product name, specifications, quantity, price, quality standards, food safety and feed safety standards, delivery date, packaging, and mode of transportation, etc. This is to accurately identify customers' needs and document them to relevant production and services. It ensures that the products truly meet customers' expectations.

- When customers are using the products, salespersons actively follow up on customers' feedback. To provide highly efficient and responsive services for any customer's request, we will reply within 8 hours. For domestic customers who require on-site handling, it will be completed within 24 hours.

- At the post-sales stage, salespersons maintain frequent communication with customers through telephone calls and on-site visits, to strengthen customer relationships.

Complaint Handling

Complaint Handling Process

Complaint Receipt	Salespersons will complete the *Returned Product Handling Transfer Form* per internal protocols and escalate to the Quality Management Department immediately upon receiving complaints.
Complaint Investigation	The quality management department conducts investigations within five working days and performs root cause analysis with relevant departments.
Complaint Handling	The Quality Management Department develops corrective actions and action plans in the *Corrective/ Preventive Action Form* and communicates resolution plans to customers. The action plan includes immediate corrective actions and long-term preventive actions. Immediate corrective actions will be completed within 1 month, while long-term preventive actions will be implemented within 3 months. For products that need to be recalled, we will implement the relevant regulations, such as *Product Return Management Regulations* and *Product Recall Management Regulations*, to ensure the standardisation and rigour of the handling process.
Compliant Closure	The quality management department documents implementation results in the *Corrective/Preventive Action Form* and formally closes the case after verifying effectiveness.

In 2024, the Group recorded 3 complaints, of which 2 were attributed to packaging hygiene issues and 1 to foreign matter not originating from the company. In response to these complaints, we conducted thorough investigations and took effective measures, and all of the complaints have been resolved successfully.

Customer Satisfaction Survey

We distribute the customer satisfaction survey to key customers annually to collect feedback regarding product and service quality. Through quantitative analysis of the survey data, we continuously refine service protocols and implement quality enhancements based on the analysis results. The customer satisfaction rate reached 97.1% in 2024.

Research, Development and Innovation

The Group has a profound understanding of the crucial significance of research and development (referred to as "R&D") and innovation in improving product quality and enhancing core competitiveness and has always placed it at the core of its strategic development. We have established a product research centre and assembled a professional R&D team. Our R&D efforts are mainly focused on the following three key areas:

➢ **Optimisation of Existing Processes & Equipment**

The R&D team works closely with the production team to optimise the production process, aiming to improve product quality and production efficiency. Additionally, we make efforts to enhance the automation level of the production process and improve the machines and equipment to boost production efficiency.

- **Research and Development of Future Product**
  We are dedicated to developing new products, new formulations, and new solutions while enhancing production quality and existing product formulations according to the customer's feedback and our close tracking of market and industry technological trends.

- **External Collaboration**
  We further enhance our R&D capabilities and accelerate the R&D progress through cooperation with external institutions. During the track record period, we entered into cooperation agreements with several universities and institutions in China to conduct joint research projects on promoting production and processing technologies as well as the direction of product development.

Case Study: "Integration of Industry, Academia, Research and Application" Collaboration
In 2024, we jointly established the "Hubei Provincial Engineering Research Centre for Photochemistry and Technology" in collaboration with Central China Normal University and Wuhan Institute of Photochemical Technology. Leveraging the "Integration of Industry, Academia, Research and Application" collaboration model involving universities, research institutes, and industry leaders, we jointly undertook two key R&D projects, including Key R&D project of Wuhan "Research and Application of Photocatalytic Selective Oxidation Process for Xylene" and the technology commercialization project "Research and Application of High-Selectivity Photocatalytic Oxidation Process for Substituted Toluene". These two projects aimed at developing innovative processes, driving industrial applications and thereby promoting new quality productive forces. The implementation of this technology will not only enable domestic substitution for relevant products with cost advantages, but also deliver better environmental and energy efficiency compared to traditional foreign technology. This progress is poised to drive industry-wide development and innovation.

In addition, we implemented the *Intellectual Property Incentive Implementation Measures*, utilising monetary rewards to motivate technical professionals in driving innovation.

As of the end of the Reporting Period, the Group has operated 1 provincial-level enterprise technology centre and has achieved 2 national, provincial and municipal-level technological innovation achievements. It has received 11 provincial and municipal honours, including 2 provincial-level Science and Technology Progress Awards and 7 municipal-level Science and Technology Progress Awards. During the Reporting Period, the Group's R&D team comprised 142 professionals, with total R&D investment reaching RMB138 million, accounting for 4.2% of total sales revenue.

Intellectual Property Protection

The Group strictly complies with the *Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, and Copyright Law of the People's Republic of China*, emphasising the protection of patents, trademarks, copyrights, and other intellectual property rights. We are committed to protecting our intellectual property assets while avoiding infringement of third-party rights to mitigate legal risks.

We actively conduct patent, copyright, and trademark registration to ensure full protection of each technological innovation and protect corporate branding.

Additionally, we require all employees to sign the *Intellectual Property and Confidentiality Agreement*, requiring them to maintain strict confidentiality regarding the Group's technical and R&D details. We enforce rigorous controls on document transfers and data outflows in our daily operations to ensure that information related to intellectual property rights will not be leaked.

As of the reporting date, the Group holds a total of 86 patents, 7 copyrights, and 5 registered trademarks. 5 new patents were granted in 2024.

During the Reporting Period, the Group has not incurred any material disputes, claims, or litigation related to intellectual property or brand protection.

Information Security and Privacy Protection

The Group prioritises information security and privacy protection, strictly adhering to the *Data Security Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and other privacy protection and information security-related regulations. In compliance with these regulations, we have established the *Information Disclosure Management Regulations, Data Security Management Regulations*, and *the Insider Information Control Regulations* to ensure customer data security, privacy safeguards, and protection of consumer rights.

We implement standardised customer account management protocols to ensure proper data entry and storage of customer information from the very beginning.

Meanwhile, we enforce strict adherence to customer information security and privacy protection policies in our daily operations.

➢ New hires will undergo mandatory confidentiality training and sign the *Intellectual Property and Confidentiality Agreement*

➢ Our internal regulations stipulate that anyone who has access to customer information shall not disclose such information to any third party in any form. Once a violation is detected, penalties will be strictly imposed following the relevant regulations of the Group.

➢ In instances where data needs to be physically removed from the premises or transmitted externally for work-related purposes, explicit approval from the responsible project manager is mandatorily required. Such actions must be formally registered and logged for record-keeping. This process is meticulously governed by the data outflow management control procedures.

➢ The Group enforces comprehensive management over computer networks, strict compliance management of office software, and stringent management of electronic document transmission. A range of effective computer-based control measures are implemented to safeguard customer information stored within our computer systems against any potential leakage.

In 2024, no data security and privacy leakage incidents occurred within the Group.

Aspect B7: Anti-corruption

The Group is committed to upholding the highest ethical standards and maintaining a corporate culture of integrity and fairness. It firmly opposes all forms of corrupt practises such as embezzlement, bribery, extortion, fraud, and money laundering.

The Group strictly complies with laws and regulations, including the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, and the *Interim Provisions on Banning Commercial Bribery*. Moreover, we have formulated internal rules and regulations such as the *Fraud Management System*, the *Complaint and Reporting Management System*, and the *Anti-bribery and Anti-corruption Policy for Sales and Marketing*, thereby putting anti-corruption efforts into practise.

The Group's anti-corruption efforts are jointly the responsibility of the Board of Directors, the Audit Committee, the Audit Department, management, business departments, and employees, all of whom actively fulfill their relevant anti-corruption duties.

We have formulated prevention and control measures regarding anti-fraud. We conduct fraud risk assessments and establish specific control mechanisms. Additionally, we carry out background checks on employees, suppliers and other third-parties before establishing relationships with the Group to reduce the likelihood of fraud. We have also established procedures for handling fraud cases, guidelines and supervision for anti-fraud work, as well as remedial measures and penalties to comprehensively combat anti fraud behaviour within the Group.

We have formulated a complaint and reporting management system to encourage employees, suppliers, partners, and other relevant parties to actively report any illegal, unethical, or corporate interest damaging behaviours within the Group, ensuring the Group's healthy and compliant development.

Internal personnel of the Group can report through means such as the ethics hotline and email, and can also directly report to the Audit Department, the Audit Committee, or the Chairman of the Board. The external reporting channel is the dedicated email of administrative management centre published on the Group's official website.

We implement strict confidentiality measures for whistleblowers, ensuring that the identities and information of whistleblowers are only known to authorised personnel involved in the investigation. Additionally, we implement anti-retaliation measures to protect whistleblowers.

We have also incorporated integrity clauses into labour contracts and supplier contracts. These clauses further standardise the integrity-related behaviours of both internal and external parties, jointly contributing to an honest and upright working and cooperation environment.

Furthermore, we actively conduct anti-corruption related training and publicity through various means, such as the Group's intranet, Group policy documents, and training sessions. This ensures that all employees clearly understand the Group's anti-corruption requirements, as well as their own responsibilities and obligations, thereby promoting the construction of an integrity-based corporate culture.

The training includes, but is not limited to, training on the reporting system, anti-corruption training for new employees, education on laws, regulations of integrity-related ethics, and ethics training for the Audit Department.

During the Reporting Period, there was no case of corruption, bribery, extortion, fraud, and money laundering occurred within the Group.

OUR COMMUNITY

Aspect B8: Community Investment

As a responsible enterprise, the Group is committed to contributing to society and the industry to promote community harmony and industry development. During the Reporting Period, the Group made charitable donations of HKD3.0 million and actively contributed to promoting green and low-carbon development, facilitating industry exchanges and development, and strengthening community engagement.

Advancing Green Development

Case Study: The Two Lakes Dialogue

In 2024, we were invited to participate in the "The Two Lakes Dialogue: International Cooperation for Low-Carbon Growth and High-Quality Development." This conference, with the theme of "Jointly Discussing Green and Low-Carbon Development and Jointly Building a Clean and Beautiful World", is a high-end international cooperation platform jointly established by Hubei Province and the World Business Council for Sustainable Development. (WBCSD).

The conference centred on negotiations and exchanges concerning Hubei Province's key industries and carbon market construction. It aimed to promote industrial collaboration, attract investment, cultivate new productive forces, accelerate the green transition of production and living modes, build a beautiful Hubei, and propel Hubei's journey toward Chinese-style modernization.

During the session dedicated to emission reduction and industrial decarbonization, Wuhan Organic presented an exchange speech on the theme of "Innovation-driven Green Smart Manufacturing and Low-Carbon Practises". It shared typical cases of low-carbon emission reduction spurred by its technological innovation and green-low-carbon initiatives. This provided peers with valuable insights for green development and contributed to realising the industry's green objectives.

Promoting Industry Development

Case Study: Industry Standard Formulation

The Group actively participates in industry standard formulation, leveraging our professional expertise, practical experience, and industry insights to enhance product quality and promote industry standardisation. Currently, we have contributed to multiple industry standard development projects.

In 2024, the national standard *GB 21343–2023 The norm of energy consumption per unit production of calcium carbide, vinyl acetate, polyvinyl alcohol, 1,4-butanediol, dicyandiamide and monocyandiamide*, in which we participated in draughting, came into effect in December. The national standard *GB 29141–2024* Norm of energy consumption per unit production of industrial sulphuric acid, dilute nitric acid and glacial acetic acid, in which we participated in the compilation, was released in May. In addition, the final review of the submitted draught of the national standard Feed Additives — *Part 8: Preservatives, Antimildew Agents and Acidity Regulators — Benzoic Acid*, in which we participated in the compilation this year, was successfully passed in December.

Case Study: Participation in Industry Exhibitions to Facilitate Industry Communication and Development
In 2024, we participated in multiple industry exhibitions, actively promoting industry innovation and development through peer exchanges and knowledge sharing.

At the "2024 China International Natural Extracts and Healthy Food Ingredients Exhibition" (referred to as "FIC Health Expo 2024"), the Group showcased its core products — sodium benzoate and benzoic acid. The superior product quality exemplified the Group's corporate spirit of "Excellence through Refinement, Achievement through Accumulation". Through professional products and services, the Group contributed to advancing the healthy food industry. Participation in FIC Health Expo not only demonstrated the Group's leading position in the food additives sector but also strengthened communication and collaboration with domestic and international peers.

The Food Ingredients Europe (FIE) Exhibition is one of the largest and most influential trade fairs in the food and health ingredients industry. At "Food Ingredients Europe 2024", the Group comprehensively displayed its competitive products, production scale, R&D capabilities, and development strategies, while engaging in in-depth communication with industry partners worldwide. Through the exhibition, the Group not only showcased its strengths but also enhanced communication with industry partners, laying the groundwork for deeper and broader future collaborations.

Enhancing Community Engagement

The Group encourages employees to contribute their time and efforts in participating in local community activities and events, thereby strengthening community connections.

Case Study: Participation in Government and Industry Park Activities to Enhance Community Engagement
In 2024, the Group organised and coordinated employees' participation in community sports. we funded employees to join the "Jingrui Cup" basketball game organised by the Wangchang town government of Qianjiang City, Hubei Province, along with football matches and fun sports events held by the Wuhan chemical industry park. Our employees' enthusiastic engagement fostered a vibrant and positive community vibe. It also enhanced interaction between the Group and the community, and strengthen community relations.

APPENDIX I

Environmental Key Performance Indicators

Environmental Aspect	Unit	2024
Air Emissions		
Sulphur Oxides (SO_x)	Tonnes	0.56
Nitrogen Oxides (NO_x)	Tonnes	4.97
Particulate Matter (PM)	Tonnes	2.86
Volatile Organic Compounds (VOCs)	Tonnes	10.15
Other Air Emissions[1]	Tonnes	0.11
Wastewater		
Chemical Oxygen Demand	Tonnes	4.18
Ammonia Nitrogen	Tonnes	0.10
Greenhouse Gas Emissions		
Direct Greenhouse Gas Emissions (Scope 1)[2]	Tonnes of CO_2e	30,625
Greenhouse Gas Removed from Newly Planted Trees (Scope 1)	Tonnes of CO_2e	9
Indirect Greenhouse Gas Emissions (Scope 2)[3]	Tonnes of CO_2e	142,770
Total Greenhouse Gas Emissions (Scope 1 and 2)	Tonnes of CO_2e	173,386
Greenhouse Gas Emission Intensity (Scope 1 and 2) (Per Revenue)	tCO_2e/RMB1 Million of Revenue	52.79
Waste		
Non-Hazardous Waste[3]		
Total Non-Hazardous Waste Generated	Tonnes	48
Non-Hazardous Waste Intensity (Per Revenue)	Tonnes/RMB1 Million of Revenue	0.01
Hazardous Waste (Dangerous Solid Waste)[4]		
Total Hazardous Waste Generated	Tonnes	1,440
Hazardous Waste Intensity (Per Revenue)	Tonnes/ RMB1 Million of Revenue	0.44
Energy Consumption		
Purchased Electricity	MWh	129,216
Purchased Steam	Tonnes	254,272
Diesel	Litres	80,568
Gasoline	Litres	17,953
Natural Gas	Cubic Meters	13,926,253
Total Energy Consumption[5]	Tonnes of Standard Coal	55,581
Total Energy Consumption Intensity (Per Revenue)	Tonnes of Standard Coal/ RMB1 Million of Revenue	16.92
Water Consumption		
Municipal Water	Ten Thousand Cubic Metres	18
Ethylene Industrial Water	Ten Thousand Cubic Metres	86
Municipal Water Consumption Intensity (Per Revenue)	Cubic Metres/ RMB1 Million of Revenue	53.44

Environmental Aspect	Unit	2024
Ethylene Industrial Water Consumption Intensity (Per Revenue)	Cubic Metres/ RMB1 Million of Revenue	261.06
Consumption of Other Resources		
Purchased Nitrogen	Ten thousand cubic metres	383
Nitrogen Consumption Intensity (Per Revenue)	Ten thousand cubic metres/ RMB1 Million of Revenue	0.12
Packaging Materials		
Total Amount of Packaging Materials	Tonnes	1,985
Packaging Materials (By Material Type)		
Plastic	Tonnes	1,173
Steel	Tonnes	667
Wood	Tonnes	144
Packaging Material Intensity (Per Revenue)	Tonnes/ RMB1 Million of Revenue	0.60

Notes:

1. Other air emissions consist of toluene and chlorine gas generated during the production process.

2. Direct greenhouse gas emissions originate from emissions generated by the use of gasoline, diesel, and natural gas, as well as refrigerant emissions and the use of carbon dioxide fire extinguishers. The calculation method and emission factors for direct greenhouse gas emissions refer to the *Guidelines for Accounting and Reporting of Corporate Greenhouse Gas Emissions: Power Generation Facilities (2022 Revised Edition)*.

3. Scope 2 indirect greenhouse gas emissions include emissions generated from purchased electricity and steam. The electricity emission factors refer to the *Announcement on the Release of 2022 Electricity Carbon Dioxide Emission Factors* jointly issued by the Ministry of Ecology and Environment and the National Bureau of Statistics; the steam emission factor refers to the *Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Corporate in Other Industrial Sectors (Trial)*.

4. The group's hazardous waste primarily consists of dangerous solid waste, including HW11 sludge and distillation residues, HW49 packaging waste and laboratory waste, HW49 waste activated carbon, HW08 waste oil, and HW13 waste resin.

5. Total energy consumption is calculated according to the energy coefficients in the *GB 2589–2020 General Rules for Calculation of the Comprehensive Energy Consumption*.

Social Key Performance Indicators

Social Aspect	Unit	2024
Number of Employees:[1]		
Total Number of Employees	Person	626
Total Number of Employees (by Gender)		
Male	Person	534
Female	Person	92
Total Number of Employees (by Employment Type)		
Full-time	Person	626
Part-time	Person	0
Total Number of Employees (by Age)		
Aged 30 and below	Person	90
Aged 31–40	Person	239
Aged 41–50	Person	166
Aged 51 and above	Person	131
Total Number of Employees (by Region)[2]		
Employees in Mainland China	Person	626
Hubei Province	Person	626
Total Number of Employees ((by Employee Category)		
Senior Level Management	Person	20
Middle Level Management	Person	104
General Staff	Person	502
Employee Turnover[3]		
Employee Turnover Rate	%	5.4%
Employee Turnover Rate (by Gender)		
Proportion of Male Employees	%	6.0%
Proportion of Female Employees	%	2.2%
Employee Turnover Rate (by Age)		
Aged 30 and below	%	11.1%
Aged 31–40	%	3.3%
Aged 41–50	%	3.0%
Aged 51 and above	%	8.4%
Employee Turnover Rate (by Region)		
Employees in Mainland China	%	5.4%
Training and Development		
Percentage of Employees Trained (by Gender)		
Male	%	85.1%
Female	%	14.9%
Percentage of Employees Trained (by Employee Category)		
Senior Level Management	%	2.8%
Middle Level Management	%	16.5%

Social Aspect	Unit	2024
General Staff	%	80.7%
Employee Training Hours:[4]		
Average Training Hours	Hours	20.3
Average Training Hours[4] (by Gender)		
Male	Hours	19.3
Female	Hours	25.8
Average Training Hours[4] (by Employee Category)		
Senior Management	Hours	18.3
Middle Level Management	Hours	19.4
General Employees	Hours	20.6
Occupational Health and Safety		
Work-related fatalities in the last 3 years (including 2024)	Person	0
Rate of work-related fatalities	%	0
Number of Work-related Injuries	Person	0
Lost days due to work-related injuries	Days	0
Number of Suppliers		
Total Number of Suppliers	Companies	97
Number of Suppliers (By Region)		
North China	Companies	28
Northeast China	Companies	2
East China	Companies	32
Central China	Companies	33
Southwest China	Companies	1
South China	Companies	1

Note:

1. The number of employees is as of December 31, 2024.
2. All employees of the Group are based in Hubei Province, Mainland China.
3. Employee turnover rate = (Number of separated employees/Total number of employees at the end of the Reporting Period) * 100%
4. Average training hours = Total training hours of employees by each category/Total Number of Employees by the corresponding category

APPENDIX II

Index of the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guidelines

A. Environmental Aspect			Related Section(s)
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.	Aspect A1: Emissions
	A1.1	The types of emissions and respective emissions data.	Aspect A1: Emissions Appendix I: Environmental Key Performance Indicators
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) total greenhouse gas emissions and intensity.	Aspect A1: Emissions Appendix I: Environmental Key Performance Indicators
	A1.3	Total hazardous waste produced and intensity.	Aspect A1: Emissions Appendix I: Environmental Key Performance Indicators
	A1.4	Total non-hazardous waste produced and intensity.	Aspect A1: Emissions Appendix I: Environmental Key Performance Indicators
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Aspect A1: Emissions
	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.	Aspect A1: Emissions
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Aspect A2: Use of Resources
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Aspect A2: Use of Resources Appendix I: Environmental Key Performance Indicators
	A2.2	Water consumption in total and intensity.	Aspect A2: Use of Resources Appendix I: Environmental Key Performance Indicators
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Aspect A2: Use of Resources
	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.	Aspect A2: Use of Resources
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Aspect A2: Use of Resources
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Aspect A3: The Environmental and Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Aspect A3: The Environmental and Natural Resources

A. Environmental Aspect			Related Section(s)
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.	Aspect A4: Climate Change
	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.	Aspect A4: Climate Change

B. Social Aspect			Related Section(s)
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.	Aspect B1: Employment
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Social Key Performance Indicators
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Social Key Performance Indicators
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.	Aspect B2: Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Aspect B2: Health and Safety Appendix I: Social Key Performance Indicators
	B2.2	Lost days due to work injury.	Aspect B2: Health and Safety Appendix I: Social Key Performance Indicators
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Aspect B2: Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Aspect B3: Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Social Key Performance Indicators
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Social Key Performance Indicators
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.	Aspect B4: Labour Standard
	B4.1	Description of measures to review employment practises to avoid child and forced labour.	Aspect B4: Labour Standard
	B4.2	Description of steps taken to eliminate such practises when discovered.	Aspect B4: Labour Standard

B. Social Aspect			Related Section(s)
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Aspect B5: Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Appendix I: Social Key Performance Indicators
	B5.2	Description of practises relating to engaging suppliers, number of suppliers where the practises are being implemented, and how they are implemented and monitored.	Aspect B5: Supply Chain Management
	B5.3	Description of practises used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Aspect B5: Supply Chain Management
	B5.4	Description of practises used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Aspect B5: Supply Chain Management
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.	Aspect B6: Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Aspect B6: Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	Aspect B6: Product Responsibility
	B6.3	Description of practises relating to observing and protecting intellectual property rights.	Aspect B6: Product Responsibility
	B6.4	Description of quality assurance process and recall procedures.	Aspect B6: Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Aspect B6: Product Responsibility
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.	Aspect B7: Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practises brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Aspect B7: Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Aspect B7: Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Aspect B7: Anti-corruption
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Aspect B8: Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Aspect B8: Community Investment
	B8.2	Resources contributed to the focus area.	Aspect B8: Community Investment

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zou Xiaohong (鄒曉虹), aged 65, was appointed as our executive Director and chairman of the Board on 25 March 2022. Mr. Zou has also been the chairman of WuhanYouji since May 2015, and the director of Qianjiang Xinyihong and Youji HK since June 2015 and June 2016, respectively. Mr. Zou is primarily responsible for the overall strategic and major operational decision-making of our Group.

Mr. Zou has over 43 years of experience in the organic chemical industry and has been working for our Group since his graduation. Mr. Zou joined our Group in July 1981 as a technician of Wuhan Youji and re-joined in September 1985 after three years study in Wuhan Gedian Chemical Plant Staff University (武漢市葛店化工廠職工大學), with his last position as the chairman since May 2015. Except for working experience in our Group, Mr. Zou also served other companies. Mr. Zou has been the chairman at Yingcheng Wuhan Organic Material Co. Ltd. (應城市武瀚有機材料有限公司) ("**Yingcheng Wuhan Organic**") and HUBEI SINEM FLAVOR CO., LTD. (湖北西尼美香料有限公司) ("**Hubei Sinem**") since July 2014 and February 2018, respectively. Since October 2018, he has served as the vice chairman and a director at Shandong Keyuan Pharmaceutical Co., Ltd. (山東科源製藥股份有限公司), a pharmaceutical company that is listed on the Shenzhen Stock Exchange (stock code: 301281), where he is mainly responsible for the company's overall management.

Mr. Zou was awarded the May 1st Labour Medal (五一勞動獎章) by Wuhan Federation of Trade Union (武漢市總工會) in April 2002 and was granted with the Special Government Allowance (政府專項津貼) by Wuhan Municipal People's Government and Wuhan Municipal Committee of the Communist Party of China (中國共產黨武漢市委員會) in December 2008. In addition, Mr. Zou was recognised as the 15th Model Worker of Wuhan City (武漢市第十五屆勞動模範) by Wuhan Municipal People's Government in April 2012 and the Middle-aged and Youth Experts with Outstanding Contribution (有突出貢獻中青年專家) by Hubei Provincial People's Government and Hubei Provincial Committee of the Communist Party of China (中國共產黨湖北省委員會) in January 2013.

Mr. Zou was the general manager of Wuhan Organic Import & Export Co., Ltd. (武漢有機進出口有限公司) within 12 months prior to its dissolution by deregistration for change of business strategy in 23 July 2011. Mr. Zou confirms that, to the best of his knowledge, (i) the dissolved company was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Zou obtained a tertiary degree in chemical machinery from Wuhan Gedian Chemical Plant Staff University in the PRC in September 1985. He holds the qualification of senior operation manager (高級經營師) granted by Department of Labour and Social Security of Hubei Province (湖北省勞動和社會保障廳) (currently known as Department of Human Resources and Social Security of Hubei Province (湖北省人力資源和社會保障廳)) in December 2002, the qualification of professorate senior engineer (正高級高級工程師) granted by Department of Human Resources and Social Security of Hubei Province in March 2015.

Mr. Chen Ping (陳平), aged 62, was appointed as our Director on 23 September 2016 and was re-designated as our executive Director and Joint Company Secretary on 25 March 2022. Mr. Chen joined our Group in October 2010 as the board secretary and has served as a director of Wuhan Youji since August 2016. He has also been the director of Hebei Kangshi since its establishment in January 2019. He is primarily responsible for the Board affairs, corporate governance and capital operations of our Group.

Mr. Chen has over 27 years of experience of corporate management. Prior to joining our Group, he served as a deputy general manager at Shenzhen Asia Link Investment Co., Ltd. (深圳市亞潮投資有限公司) (currently known as Shenzhen Hengrun Taifu Investment Co., Ltd. (深圳市恒潤泰富投資有限公司)) from July 1997 to September 1999, responsible for investment and financing management; Wuhan Plastics Industrial Group Co., Ltd. (武漢塑料工業集團股份有限公司) (currently known as Hubei Radio & Television Information Network Co., Ltd. (湖北省廣播電視信息網絡股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000665); and the general manager at Wuhan Xianglong Trading Co., Ltd. (武漢祥龍貿易有限公司) (currently known as Wuhan Xianglong New Energy Co., Ltd. (武漢祥龍新能源有限公司)) from August 2003 to November 2005, responsible for the overall management of the company. From November 2006 to July 2008, he worked at Wuhan Fengfan Surface Engineering Co., Ltd. (武漢風帆表面工程股份有限公司) as a director and a standing vice manager. From August 2008 to September 2010, Mr. Chen served as the international affairs department head of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司), where he was mainly responsible for company's international affairs. He also served as the director at HNC (Canada) Antimony Mine Limited and BEAVER BROOK ANTIMONY MINE INC. from August 2009 to September 2010.

Mr. Chen graduated from Beijing Institute of Foreign Trade (北京對外貿易學院) (currently known as University of International Business and Economics (對外經濟貿易大學)) in the PRC in July 1983, majoring in English for Foreign Trade. He obtained a bachelor's degree in economics from Beijing Institute of Foreign Trade in September 1983 and a master's degree in economics from Fudan University (復旦大學) in the PRC in July 1990. He holds the qualification of economist granted by Wuhan Municipal Personnel Bureau (武漢市人事局) (currently known as Wuhan Municipal Human Resources and Social Security Bureau (武漢市人力資源和社會保障局)) in October 2001.

NON-EXECUTIVE DIRECTORS

Mr. Gao Lei (高雷), aged 41, was appointed as our Director on 23 September 2016 and was re-designated as our non-executive Director on 25 March 2022. Mr. Gao joined our Group in April 2010 and has been serving as a director of Wuhan Youji since June 2016. He is primarily responsible for shareholder related matters and advising on corporate governance and internal control of our Group.

Mr. Gao has more than ten years of experience in investment management. Prior to joining our Group, Mr. Gao worked as general manager assistant at Shanghai Sanwei Investment Development Co., Ltd. (上海三威投資發展有限公司), a company principally engaged in investment management, where he was responsible for investment management. Since December 2013, Mr. Gao has been serving as the general manager at Shanghai Linuo Industry & Trade Co., Ltd. (上海力諾工貿股份有限公司), a company engaged in the property lease and management industry, where he was responsible for its overall management. Since April 2017, he has been serving as a director at Linuo Sunshine (Hong Kong) Investment Limited (力諾陽光(香港)投資有限公司), an investment company.

Mr. Gao was a director of Hong Kong Linuo Pharmaceutical Co., Limited (香港力諾藥業股份有限公司) prior to its dissolution by deregistration for change of business strategy on 16 October 2015. Mr. Gao confirms that, to the best of his knowledge, (i) the dissolved company was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from Hong Kong authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Gao obtained his master's degree of business administration from National University in the United States in April 2010.

Biographies of Directors and Senior Management

Mr. Shen Yingming (申英明), aged 66, was appointed as our Director on 23 September 2016 and was re-designated as our non-executive Director on 25 March 2022. He is mainly responsible for shareholder related matters and advising on corporate governance and internal control of our Group.

Mr. Shen has over 30 years of experience in business administration. Prior to joining our Group, from March 1994 to November 2001, he served as the general manager of Jinan Sanwei Glass Products Co. Ltd. (濟南三威玻璃製品有限公司). From November 2001 to January 2010, he worked at Wuhan Linuo Solar Energy Group Co., Ltd. (武漢力諾太陽能集團股份有限公司) (currently known as Hongfa Technology Co., Ltd. (宏發科技股份有限公司)), a company principally engaged in solar energy industry then and listed on the Shanghai Stock Exchange (stock code: 600885), with his last position as chairman of the board of supervisors. From April 2019 to April 2024, Mr. Shen served as the supervisor at Shandong Keyuan Pharmaceutical Co., Ltd. (山東科源製藥股份有限公司), a pharmaceutical company that is listed on Shenzhen Stock Exchange (stock code: 301281). Since January 2010, he has been the chairman of the board of supervisors at Linuo Group Holdings Co., Ltd. (力諾集團股份有限公司), a solar thermal products and photovoltaic products manufacturer.

Mr. Shen was a director, supervisor or general manager of the following PRC companies prior to their dissolution by deregistration:

Name of company	Nature of business	Date of dissolution	Reason for dissolution
Linuo Solar Energy Technology (Taiyuan) Co Ltd (力諾光能科技(太原)有限公司)	Consultancy service	15 December 2021	Change of business strategy
Hubei Twin Tigers Coating Engineering Co., Ltd. (湖北雙虎塗裝工程有限公司)	Construction	19 November 2019	Change of business strategy
Wuhan Linuo Investment Co., Ltd. (武漢力諾投資有限公司)	Investment	16 October 2019	Tax planning
Shaanxi Linuo Glass Vessel Co Ltd (陝西力諾玻璃製品有限公司)	Manufacturing	17 August 2017	Change of business strategy
Wuhan Twin Tigers Anticorrosion Coating Co., Ltd. (武漢雙虎防腐塗料有限公司)	Manufacturing	30 June 2017	Change of business strategy
Wuhan Twin Tigers Powder Coating Co Ltd (武漢雙虎粉末塗料有限公司)	Retail	26 May 2015	Change of business strategy
Hanyang Linuo Industry and Trade Co., Ltd. (漢陽力諾工貿有限公司)	Trade	20 March 2015	Change of business strategy

Mr. Shen confirms that, to the best of his knowledge, (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Shen obtained the professional certificate of completing economic management courses delivered by Shandong University (山東大學) in the PRC in October 1997. In March 2006, he obtained the certificate of completing the graduate courses of masters of business administration granted by the Training College of Renmin University of China (中國人民大學) in the PRC.

Ms. Li Deye (李德曄), aged 58, was appointed as our non-executive Director on 25 March 2022. She is mainly responsible for providing advice on operation and management of our Group.

Ms. Li has over 26 years of experience in supply chain management and business administration. She had extensive experience serving the subsidiaries of Linuo Group Holdings Co., Ltd. (力諾集團股份有限公司), a solar thermal products and photovoltaic products manufacturer, including serving as the purchasing director of Shandong Sanli Industrial Group Co., Ltd. (山東三力工業集團有限公司) from December 1998 to November 2009, the supply chain director of Shandong Linuo Electric Power Co., Ltd. (山東力諾電力股份有限公司) from November 2009 to December 2015, and the general manager and chairperson of Shandong Linuo Photovoltaic Hi-Tech Co., Ltd. (山東力諾光伏高科技有限公司) from November 2017 to January 2022. She has also been the supply chain director and the resources management director at Linuo Group Holdings Co., Ltd. from January 2016 to October 2017 and since February 2022, respectively.

Ms. Li was a manager of Jinan Dexincheng Trading Co., Ltd. (濟南德信誠商貿有限公司) prior to its dissolution by deregistration for change of business strategy on 11 June 2019. Ms. Li confirms that, to the best of her knowledge, (i) the dissolved company was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) she has not received any notification in respect of penalty, acting or proceeding from PRC authorities as a result of the dissolution; and (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution.

Ms. Li obtained a bachelor's degree of administrative management and a completion certificate of business administration from Shandong University (山東大學) in the PRC in October 2009 and June 2011 respectively. In April 2008, Ms. Li was qualified as a senior certified purchasing professional (註冊採購師) by CHC Manager Human Resource Committee of China High-technology Education Working Committee (CHC全國高科技教工委管理人才專業委員會).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Zhongdong (劉鐘棟), aged 66, was appointed as our independent non-executive Director upon Listing, and is mainly responsible for providing independent advice on the Group's technology and research.

Dr. Liu has over 35 years of experience in academic research of food additives. He worked at Zhengzhou Grain College (鄭州糧食學院) (currently known as Henan University of Technology (河南工業大學)) since August 1989, with his last position as a level-2 professor.

Dr. Liu was appointed as a member or an expert of various food additives related associations, including the member of the First National Food Safety Standards Review Committee (第一屆食品安全國家標準審評委員會) in January 2010, an expert of the "Tri-new" Foods Administrative Licensing Review Experts Pool ("三新"食品行政許可評審專家) in April 2021 and the secretary-general of the Professional Committee of China Food Additives and Ingredients Association (中國食品添加劑和配料協會專業委員會) since 2002, a member of Chinese delegation to the International Annual Meeting of Institute of Food Technologies (國際食品技術及國際展會, IFT) since 2005 and a member of Chinese delegation in Codex Committee on Food Additives of the Food and Agriculture organisation of the United Nations and World Health Organisation since 2007.

Dr. Liu obtained his master's degree in engineering from Zhengzhou Grain College (鄭州糧食學院) in the PRC in June 1989 and his doctorate degree in science from Xiamen University (廈門大學) in the PRC in September 2006, majoring in organic chemistry.

Biographies of Directors and Senior Management

Dr. Yuan Kang (袁康), aged 36, was appointed as our independent non-executive Director upon Listing, and is mainly responsible for providing independent advice on the operations and management of our Group. Dr. Yuan has been a lecturer and an associate professor at Law School of Wuhan University (武漢大學法學院) from February 2016 to February 2019 and since March 2019, respectively.

Since December 2020, Dr. Yuan served as an independent director at Hubei Color Root Technology Co., Ltd. (湖北麗源科技股份有限公司), a reactive dyes manufacturer, whose shares were delisted from National Equities Exchange and Quotations (stock code: 836620) in February 2018. Since February 2021, he served as an independent director at Shandong Keyuan Pharmaceutical Co., Ltd., a pharmaceutical company that is listed on Shenzhen Stock Exchange (stock code: 301281). Since April 2021, Dr. Yuan has also been an independent director at Hubei Zhenhua Chemical Co., Ltd. (湖北振華化學股份有限公司), a chromium salt and vitamin K3 producer, whose shares are listed on Shanghai Stock Exchange (stock code: 603067.SH), where he is mainly responsible for providing independent advice on the operations and management. Since August 2022, Dr. Yuan served as an independent director at Zhejiang Zhongxin Fluoride Materials Co., Ltd. (浙江中欣氟材股份有限公司), an enterprise for the research, development, production and sale of fluorine fine chemicals that is listed on Shenzhen Stock Exchange (stock code: 002915).

Dr. Yuan obtained his bachelor's degree in law and doctorate degree in economic law from Wuhan University (武漢大學) in the PRC in June 2010 and December 2015 respectively. Dr. Yuan received his Legal Professional Qualification Certificate (法律職業資格證書) from Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in August 2010 and the Qualification Certificate for Independent Directors of Listing Companies (上市公司獨立董事資格證書) from Shanghai Stock Exchange in April 2021.

Mr. Liu Kai Yu Kenneth (廖啟宇), aged 55, was appointed as our independent non-executive Director upon Listing and is mainly responsible for providing independent advice on the operations and management of our Group.

Mr. Liu is an experienced audit professional. Prior to joining our Group, he served as a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994, an accountant at Ernst & Young from August 1994 to May 1996, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, and an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000. After that, he worked at VC CEF Capital Limited (currently known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. From June 2004 to October 2016, he worked at Hong Kong Exchanges and Clearing Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 388), with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division, responsible for vetting initial public offering applications.

Mr. Liu has also served as an independent non-executive director in Fourace Industries Group Holdings Limited (科利實業控股集團有限公司), a personal care and electrical appliances provider listed on the Stock Exchange of Hong Kong (stock code: 1455), since August 2020; Hangzhou Tigermed Consulting Co. Ltd. (杭州泰格醫藥科技股份有限公司), a clinical research services provider listed on the Stock Exchange of Hong Kong (stock code: 3347) and ChiNext of the Shenzhen Stock Exchange (stock code: 300347), since April 2020; Tianli Education International Holdings Limited (天立教育國際控股有限公司), an education service provider listed on the Stock Exchange of Hong Kong (stock code: 1773), since June 2018; Sisram Medical Ltd., an energy-based medical aesthetic devices provider listed on the Stock Exchange of Hong Kong (stock code: 1696), since August 2017.

Mr. Liu obtained his bachelor of engineering degree in mechanical engineering from Imperial College of Science, Technology and Medicine of the University of London in the United Kingdom in August 1991. He received his master of business administration degree in international banking and finance from the University of Birmingham in the United Kingdom in December 1998. Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

SENIOR MANAGEMENT

Mr. Zhou Xu (周旭), aged 55, is the chief executive officer of our Group, primarily responsible for the operations and management of our Company. Mr. Zhou has also been the general manager of Wuhan Youji since June 2016.

Mr. Zhou has over 36 years of experience of toluene derivative products industry, with most of his time devoted to the development of our Group. He has been working continuously for our Group since August 1988, and was appointed as our chief executive officer on 25 March 2022.

Mr. Zhou obtained his tertiary degree in industrial management engineering from Wuhan University of Automotive Technology (武漢汽車工業大學) (currently known as Wuhan University of Technology (武漢理工大學)) in the PRC in June 1995 and his master's degree in economics from Party School of the Wuhan Municipal Committee of the Communist Party of China (中國共產黨武漢市委黨校) in the PRC in January 2002. Mr. Zhou was awarded the "Model Worker of Wuhan City (武漢市勞動模範)" by Wuhan Municipal People's Government (武漢市人民政府) in April 2015 and the Excellent Communist Party Member of Wuhan City "(武漢市優秀共產黨員)" by Wuhan Municipal Committee of the Communist Party of China (中國共產黨武漢市委) in June 2021.

Mr. Shen Haifeng (沈海峰), aged 54, is the chief financial officer of our Company, primarily responsible for the financial management, financing and investment activities of our Group. He also serves as a deputy general manager of Wuhan Youji, a director of Hebei Kangshi and a supervisor of multiple subsidiaries of our Group, including Qianjiang Xinyihong, Hubei Kangxin and Hubei Xinxuanhong.

Mr. Shen has more than 21 years of experience of financial management. Prior to joining our Group in 2009, Mr. Shen served as the financial manager at Huasheng Jiangquan Group Co., Ltd. (華盛江泉集團有限公司) from August 2003 to October 2005. He then served as the deputy director of audit centre at Linuo Group Holdings Co., Ltd. (力諾集團股份有限公司) from December 2005 to July 2006 and the chief financial officer at Wuhan Linuo Chemical Group Co., Ltd. (武漢力諾化學集團有限公司) from August 2006 to November 2009, where he was responsible for overall financial management.

Mr. Shen obtained his bachelor's degree in economics majoring in planning statistics from Northeast Forestry University (東北林業大學) in July 1992. He was qualified as an auditor by the National Audit Office of the People's Republic of China (中華人民共和國審計署) in November 1996, an accountant by the Ministry of Finance of the People's Republic of China in May 1997 and a Certified Public Accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2004.

Ms. Lai Ho Yan (賴浩恩), was appointed as one of our joint company secretaries on 25 March 2022. Ms. Lai is currently a senior manager of Company Secretarial Services of Tricor Services Limited, where she is responsible for providing corporate secretarial and compliance services to listed companies at the Stock Exchange and other multinational, private and offshore companies. Ms. Lai has more than eight years of experience in the company secretary profession.

Ms. Lai obtained her bachelor's degree in business administration in financial services and master's degree in corporate governance from The Hong Kong Polytechnic University in September 2016 and September 2020, respectively. She also holds a Bachelor of Laws from Manchester Metropolitan University in July 2024. She has been qualified as a Chartered Secretary, a Chartered Governance Professional, an associate of The Hong Kong Chartered Governance Institute (HKCGI) and an associate of The Chartered Governance Institute (CGI) in the United Kingdom.

Directors' Report

The Board presents its report and the audited financial statements of Wuhan Youji Holdings Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2024.

PRINCIPAL BUSINESS REVIEW

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in the production and sale of toluene derivatives and trading of toluene raw materials. The principal activities of the subsidiaries are set out in note 1 to the consolidated financial information. There were no significant changes in the nature of the Group's principal activities during the year under review.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses and prospects as well as financial conditions and results of operations will be affected by a number of risks and uncertainties including business risks, operational risks and financial risks. For business risks, the majority of the Group's businesses are located in Mainland China so the Group will be subject to the economic and political development and market situation of the PRC, while the Group's overseas sales will be subject to the global and regional economic conditions, trade policies and market demand. For operational risks, the Group is engaged in manufacturing of chemical products and it is thus exposed to various environmental, health and safety risks in running its operations. For financial risks, the Group's financial instrument will have market risk (currency risk, interest rate risk and other price risk), related credit risk and liquidity risk. Details of the policies on how to mitigate these financial risks are set out in note 38 to the consolidated financial information.

LAWS AND REGULATIONS

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

The relevant laws and regulations that have a significant impact on the Company include, among others, the Companies Ordinance, the Companies Act (as revised) of the Cayman Islands, the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the relevant laws, rules and regulations in relation to its business including health, safety and environmental protection, workplace conditions and employment etc. To ensure compliance with these requirements of laws, rules and regulations, the Company has implemented an effective internal control and approval procedures, and has undertaken risk management and provided trainings.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has attached great importance to its environmental policy and performance, setting up safety and environmental centres in its major operating entities in the PRC with the responsibility for the Group's overall safety and environmental protection policy and assessment of its overall performance, setting up safety and environmental departments in each of the factories with the responsibility for safety and environmental matters in the factories, and fully equipping with safety and environmental protection related personnel, equipment and system for each of its subsidiaries. Details are set out in the Environmental, Social and Governance Report of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, we have conducted business with more than 2,700 corporate customers, covering more than 70 countries. We established and solidified our business relationship with a variety of prestigious companies, including a number of Fortune 500 Companies. For the years ended 31 December 2022, 2023 and 2024, revenues generated from our five largest customers amounted to RMB583.2 million, RMB581.2 million and RMB604.2 million, representing 18.6%, 21.8% and 18.4%, respectively, of our total revenue for the same periods. All of our five largest customers during the year have maintained sound business relationship with our Group, and up to the date of this report, and a significant portion of our customers had maintained business relationship with our Group for more than three years. Our strong and cohesive customer base also enables us to maintain a healthy cash flow position. For the years ended 31 December 2022, 2023 and 2024, the average trade and bills receivables turnover days of our Group were 33 days, 42 days and 34 days, respectively. And the directors of the Company considered that the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further details of the credit control system and credit terms granted to customers are shown in note 19 to the consolidated financial information.

For the suppliers, except for certain bulk materials, such as petroleum toluene, we have multiple sources for most of our raw materials to reduce possible interruptions to our business operations and over-reliance on any particular supplier. We closely monitor the supply and demand conditions of raw materials and make corresponding adjustments in our procurement plan if there is any anticipated shortage of supply or changes in the prices of the raw materials. During the year, we did not experience any difficulty in sourcing suppliers for raw materials or any material production disruption due to shortage of raw materials. Our suppliers generally extend to us credit terms ranging from nil to 60 days upon receipt of raw materials and invoice. For the years ended 31 December 2022, 2023 and 2024, purchases from our five largest suppliers in each year, who were Independent Third Parties, were approximately RMB1,716.4 million, RMB1,632.0 million and RMB1,891.7 million, representing 78.0%, 79.7% and 79.0% of our total purchases, respectively. For the Reporting Period, 34.8% of purchases was attributable to the largest supplier. Except for Hebei Kangshi, a joint venture of our Group, none of our Directors or their respective associates or any Shareholder, who to the knowledge of our Directors, owns more than 5% of our issued Shares, had any interest in any of our five largest suppliers during the track record period.

REMUNERATION POLICIES

The emolument of the Directors is recommended by the Remuneration Committee ("**Remuneration Committee**") of the Company, and determined and approved by the Board. The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Company and the prevailing market level of remuneration of similar position. For details, please refer to the Corporate Governance Report and ESG Report.

SHARE SCHEME

During the year under review, the Company did not have any share scheme.

DIVIDENDS

The Board recommended the declaration of a final dividend of RMB0.4823 per ordinary share for the year ended 31 December 2024, subject to the Shareholders' approval at the AGM. In addition, the Board approved, on 9 October 2024, the declaration of a special dividend of approximately RMB0.4823 per ordinary share distributed out of the 2023 retained profits.

CLOSURE OF THE REGISTER

The Register will be closed to ascertain the qualification for attending and voting at the AGM and for the entitlement to the final dividend.

To determine the identity of the shareholders entitled to attend the AGM, the Company will close the Register of Members from Monday, 12 May 2025 to Thursday, 15 May 2025, both days inclusive, during which period no share transfers will be registered. To be eligible to attend the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than Friday, 9 May 2025 at 4:30 p.m.

To determine the identity of shareholders entitled to receive the final dividend, the Company will also close the Register of Members from Thursday, 22 May 2025 to Friday, 23 May 2025, both days inclusive, during which period no share transfer will be registered. To be eligible for the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than Wednesday, 21 May 2025 at 4:30 p.m.

SHARE CAPITAL

Details of the movements in the number of issued shares of the Company during the year under review are set out in note 28 to the consolidated financial information.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 94.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2024 are set out in note 1 to the consolidated financial information.

DIRECTORS AND COMMITTEES

The Directors during the year ended 31 December 2024 and up to the date of this report were:

Executive Directors

Zou Xiaohong *(Chairperson)*
Chen Ping *(Joint Company Secretary)*

Non-executive Directors

Gao Lei
Shen Yingming
Li Deye

Independent non-executive Directors

Liu Zhongdong
Yuan Kang
Liu Kai Yu Kenneth

In accordance with article 108(a) of the Company's articles of association, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation at each AGM, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Mr. Chen Ping, Mr. Gao Lei and Mr. Shen Yingming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Committees

There are currently four committees established under the Board of the Company, being the audit committee, the remuneration committee, the nomination committee and the Environmental, Social and Governance Committee, respectively. The membership information of each committee is set out below:

The members of the audit committee are Liu Kai Yu Kenneth (Chairperson), Liu Zhongdong, Yuan Kang, Gao Lei and Shen Yingming.

The members of the remuneration committee are Liu Kai Yu Kenneth (Chairperson), Liu Zhongdong, Yuan Kang, Zou Xiaohong and Gao Lei.

The members of the nomination committee are Zou Xiaohong (Chairperson), Liu Zhongdong, Yuan Kang, Liu Kai Yu Kenneth and Gao Lei.

The members of the environmental, social and governance committee are Zou Xiaohong (Chairperson), Liu Zhongdong, Li Deye, Zhou Xu and Shen Haifeng.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2024, to the best of the Company's knowledge, save for the interest of the Directors and chief executives in the Shares and share options of the Company set out below, none of the Directors and chief executives has any interests and short positions in the Shares, debentures or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which they are taken or deemed to have taken under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code as set out in Appendix C3 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of ordinary shares and underlying shares[(1)]	Approximate percentage of shareholding[(2)]
Mr. Gao Lei	Interest in a controlled corporation	50,150,842 (L)[(3)]	53.75%
Mr. Shen Yingming	Interest in a controlled corporation	12,537,710 (L)[(4)]	13.44%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) As at 31 December 2024, the total number of issued shares of the Company was 93,300,000 shares.

(3) Such shares are held by Vastocean Capital Limited, which is wholly-owned by Mr. Gao Lei, therefore, Mr. Gao Lei is deemed to be interested in the same number of shares by virtue of the SFO.

(4) Such shares are held by SYM Holdings Limited, which is wholly-owned by Mr. Shen Yingming, therefore, Mr. Shen Yingming is deemed to be interested in the same number of shares by virtue of the SFO.

Save as disclosed above, to the best of the Company's knowledge, none of the Directors or chief executives had any interests or short positions in the shares, debentures or underlying shares of any of the Company's associated corporations as at 31 December 2024.

DIRECTORS' DEALING IN SHARES (DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES)

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, so far as our Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares held(1)	Approximate percentage of shareholding(2)
Vastocean Capital Limited	Beneficial owner	50,150,842 (L)(3)	53.75%
Mr. Gao Lei	Interest in a controlled corporation	50,150,842 (L)(3)	53.75%
SYM Holdings Limited	Beneficial owner	12,537,710 (L)(4)	13.44%
Mr. Shen Yingming	Interest in a controlled corporation	12,537,710 (L)(4)	13.44%
Custodian Capital Ltd.	Nominee interest	7,271,448 (L)(5)	7.79%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) As at 31 December 2024, the total number of issued shares of the Company was 93,300,000 shares.

(3) Such shares are held by Vastocean Capital Limited, which is wholly-owned by Mr. Gao Lei, therefore, Mr. Gao Lei is deemed to be interested in the same number of shares by virtue of the SFO.

(4) Such shares are held by SYM Holdings Limited, which is wholly-owned by Mr. Shen Yingming, therefore, Mr. Shen Yingming is deemed to be interested in the same number of shares by virtue of the SFO.

(5) Such shares are held by Custodian Capital Ltd. on behalf of the Retaining Shareholders and Unresponsive Shareholders as defined in the Prospectus and will not exercise the voting rights attached to the Shares held by them.

Save as disclosed above, as at 31 December 2024, so far as our Directors are aware, none of any other person (other than the Directors and chief executives of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were required to be recorded in the register referred to in Section 336 of the SFO.

SHARE REPURCHASE (PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES)

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2024.

CORPORATE GOVERNANCE

Report on the Company's corporate governance is set out in "Corporate Governance Report" on pages 20 to 34 of this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules during the year and as at the latest practicable date prior to the issue of the annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year under review or subsisted at the end of the year under review.

DONATIONS

During the year under review, the Company made charitable donations of HK$3,000,000.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that the Directors, Auditors, Company Secretaries and other officers of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own dishonesty, willful default or fraud.

Since the Listing Date, the Company has maintained for appropriate and valid liability insurance for the Company, Directors, Supervisors and senior management personnel. The permitted indemnity provisions and the liability insurance for the Company, Directors, Supervisors and senior management personnel have been in force from the Listing Date up to the date of this annual report.

TAX RELIEF

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group entered into certain transactions during the year ended 31 December 2024 with the parties regarded as "Related Parties" under applicable accounting standard. Details of the related party transactions are set out in note 35 to the consolidated financial statements. Among the related party transactions during the year ended 31 December 2024, each of the following transactions constitutes a connected transaction or a continuing connected transaction of the Company as defined under Chapter 14A of the Listing Rules. Save as disclosed below, none of the related party transactions (as defined in HKAS 24 — Related Party Disclosures) entered into by the Group during the year ended 31 December 2024 disclosed in Note 35 to the consolidated financial information falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, each of those transactions constitutes a de minimis transaction under Chapter 14A of the Listing Rules and is therefore fully exempt from Shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

1. Connected Transactions

Property Lease Agreement

The Group currently leases the Properties from the Wuhan Linuo Investment Holdings Group Co., Ltd. ("**Linuo Investment**") under agreements set to expire on 31 December 2024. The Board believes that the new Lease Agreements are beneficial and aligned with the Group's operational needs. On 16 December 2024, Wuhan Youji Industries Co., Ltd. (武漢有機實業有限公司) (as the Tenant), a wholly-owned subsidiary of the Company, entered into the Lease Agreements ("**Lease Agreements**") with Linuo Investment (as the Lessor). Linuo Investment is indirectly owned 80% by Mr. Gao Yuankun, the father of Mr. Gao Lei ("**Mr. Gao**"), a non-executive Director and the controlling Shareholder, and 20% by Mr. Shen Yingming, a non-executive Director. Linuo Investment is ultimately controlled by Mr. Gao Yuankun, the father of Mr. Gao. As such, Linuo Investment is an associate of Mr. Gao, a non-executive Director and the controlling Shareholder. Therefore, the transactions contemplated under the Lease Agreements constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

In accordance with the Lease Agreements, Wuhan Youji Industries Co., Ltd. (武漢有機實業有限公司) leased two properties located at Wuhan Chemical Industrial Park, Qingshan District, Wuhan City, Hubei Province, PRC from Linuo Investment, with the term of two years from 1 January 2025 to 31 December 2026 (both dates inclusive). The total consideration under the Lease Agreements amounts to RMB15.6 million (inclusive of tax). In accordance with HKFRS 16, the aggregate value of the right-of-use assets recognised at the commencement of the Lease Agreements is approximately RMB13.8 million.

For further details, please refer to the Company's announcement dated 16 December 2024.

2. **Continuing Connected Transactions**

The following transactions constituted non-exempt continuing connected transactions subject only to the reporting, announcement and annual review requirements pursuant to Chapter 14A of the Listing Rules.

Provision of Property Management Services from Linuo Investment

Pursuant to the Operation Management Service Framework Agreement ("**Operation Management Service Framework Agreement**") dated on 21 May 2024, Linuo Investment agreed to provide property management services to the Group for our occupation in the Wuhan Linuo Industrial Zone, including property operation, maintenance and management. The properties under the Operation Management Service Framework Agreement are leased by the Group from Linuo Investment as our office and place of business. The Operation Management Service Framework Agreement is effective from 18 June 2024 to 31 December 2026 and may be renewed by mutual consent.

In order to save administrative costs and time, and to avoid unnecessary disruption and incurring additional costs and expenses, the Group has also been engaging Linuo Investment's property management services for our occupation in the Wuhan Linuo Industrial Zone. Under the Operation Management Service Framework Agreement, the service fees to be incurred by Wuhan Youji to Linuo Investment shall be determined after arm's length negotiation between the parties with reference to the prevailing market rate in respect of similar property management services provided by other independent property management service providers. To evaluate and assess the level of service fees charged by Linuo Investment for the provision of property management services under the Operation Management Service Framework Agreement, the Group will, on an annual basis, conduct research on comparable companies or obtain quotations from independent third party service providers with comparable scale, such that the Group could ensure the service fees and terms offered by Linuo Investment are on normal commercial terms or better, fair and reasonable and in the interests of our Company and our Shareholders as a whole. The amounts of service fees paid by the Group to Linuo Investment under the Operation Management Service Framework Agreement for the year ended 31 December 2024 amounted to RMB11.0 million, which did not exceed the proposed annual caps. For further details, please refer to the section headed "Continuing Connected Transactions — 4. Provision of Property Management Services from Linuo Investment" in the prospectus dated 7 June 2024 issued by the Company.

Provision of Equipment Production, Installation and Maintenance Services from Xinkang Chemical

On 21 May 2024, the Group entered into an equipment production, installation and maintenance service framework agreement with Wuhan Xinkang Chemical Equipment Co., Ltd. ("**Xinkang Chemical**"), pursuant to which Xinkang Chemical agreed to supply to the Group equipment, pipes and fittings including stainless steel and carbon steel vessels, condenser, heat exchanger, and provide installation services to the Group (the "**Equipment Production, Installation and Maintenance Service Framework Agreement**"). The Equipment Production, Installation and Maintenance Service Framework Agreement is valid for a term commencing on 18 June 2024 and ending on 31 December 2026, subject to renewal upon parties' mutual agreement. Xinkang Chemical is indirectly held by Mr. Gao as to 66.86%. Therefore, Xinkang Chemical is an associate of Mr. Gao and the connected person of the Group upon Listing.

Xinkang Chemical is the Group's long-term supplier, and in view of its geographic location, is able to deliver and instal such equipment for the Group within a relative short time and provide timely maintenance service when requested. Due to the long term relationship and in order to save administrative costs and time, the Equipment Production, Installation and Maintenance Service Framework Agreement is in line with the Group's business needs and economic interests. The service fees to be incurred by WuhanYouji to Xinkang Chemical shall be determined after arm's length negotiation between the parties with reference to the prevailing market rate in respect of similar equipment production, installation and maintenance services provided by other independent service providers. To evaluate and assess the level of service fees charged by Xinkang Chemical for the provision of equipment production, installation and maintenance services under the Equipment Production, Installation and Maintenance Service Framework Agreement, the Group will, on an annual basis, conduct research on comparable companies or obtain quotations from independent third party service providers with comparable scale, such that the Group could ensure the service fees and terms offered by Xinkang Chemical are on normal commercial terms or better, fair and reasonable and in the interests of our Company and our Shareholders as a whole. The amounts of service fees paid by the Group to Xinkang Chemical under the Equipment Production, Installation and Maintenance Service Framework Agreement for the year ended 31 December 2024 amounted to RMB59.6 million, which did not exceed the proposed annual caps. For further details, please refer to the section headed "Continuing Connected Transactions — 5. Provision of Equipment Production, Installation and Maintenance Services from Xinkang Chemical" in the prospectus dated 7 June 2024 issued by the Company.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions disclosed in this report and confirmed that the transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions 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 Practise Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued a letter to the Company's directors confirming nothing has come to the auditors' attention that causes the auditors to believe that the continuing connected transactions disclosed in this report:

(i) have not been approved by the Company's board of directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or

(iv) have exceeded the annual cap as set by the Company.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The Company hereby confirms that it has followed the pricing policies and guidelines when determining the price and terms of the transactions during the reporting period for all above-mentioned continuing connected transactions during the reporting period.

SIGNIFICANT INVESTMENTS

The Company had no significant investments during the year under review.

DIRECTORS' RIGHTS IN TRANSACTIONS, CONTRACTS, AND ARRANGEMENTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" and note 35 (Related Party Transactions) to the consolidated financial information, no Director, nor any entity connected to a Director had a beneficial interest, directly or indirectly, in any transaction, arrangement or contract that is significant in relation to the Group's businesses to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT AND ADMINISTRATION CONTRACTS

Other than the employment contracts with the Directors and full-time employees, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

PRE-EMPTIVE RIGHTS

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

AUDITORS

The Shares were listed on the Stock Exchange on 18 June 2024, and the Company has no change in auditors since the Listing Date. The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Ernst & Young, the auditors of the Company who will retire at the conclusion of the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

COMPETING BUSINESS

During the year ended 31 December 2024 and up to the date of this report, none of the Directors had any interests in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group and which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, save as disclosed in the section headed "Biographies of Directors and Senior Management", there were no material changes in information of the Directors for the year ended 31 December 2024 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended 31 December 2024, save as disclosed in this annual report, none of the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

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To the shareholders of Wuhan Youji Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wuhan Youji Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 91 to 163, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue The principal activities of the Group are the manufacture, sale of toluene oxidation products and toluene chlorination products and their derivatives. The Group recognised revenue from contracts with customers amounting to RMB3,284,183,000 in the consolidated financial statements for the year ended 31 December 2024. We identified revenue as a key audit matter because revenue is one of the key performance indicators of the Group and has a significant impact on the consolidated financial statements. The accounting policy of revenue, operating segment information and disaggregated revenue information are included in notes 2.4, 4 and 5 to the consolidated financial statements, respectively.	Our audit procedures included, among others: — Obtaining an understanding, evaluating the design, and testing the operating effectiveness of key controls over the Group's revenue recognition; — Inspecting customer contracts and key contract terms, on a sample basis, and evaluating the Group's accounting policies of revenue recognition; — Performing analytical procedures, and analysing the reasonableness of changes in revenue composition and gross margin by comparing current year revenue with the previous year revenue, change in the unit selling price and the quantity of goods sold; — Testing details of sales revenue, on a sample basis, comparing revenue transactions with sales contracts and goods delivery notes or receipts notes and other relevant supporting documents to assess whether the related revenue was recognised in accordance with the Group's accounting policies of revenue recognition; — Performing cut-off tests to evaluate whether revenue was recorded in the appropriate financial period; — Inspecting underlying documentation for journal entries relating to revenue recognised during the year which were considered to meet certain specific risk-based criteria; and inspecting the relevant disclosure of revenue in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is HO Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**3,284,183**	2,677,103
Cost of sales		**(2,887,933)**	(2,347,338)
Gross profit		**396,250**	329,765
Other income and gains	5	**74,140**	25,505
Selling and distribution expenses		**(24,436)**	(20,717)
Administrative expenses		**(118,360)**	(95,416)
Research and development expenses		**(137,994)**	(99,959)
(Impairment losses)/reversal of impairment on financial assets		**(786)**	188
Other expenses		**(9,880)**	(4,986)
Finance costs	7	**(37,425)**	(32,281)
Share of profits and losses of:			
a joint venture	16	**11,305**	(11,834)
an associate	17	**6,281**	4,473
PROFIT BEFORE TAX	6	**159,095**	94,738
Income tax expense	10	**(36,060)**	(21,836)
PROFIT FOR THE YEAR		**123,035**	72,902
Profit attributable to owners of the parent		**123,035**	72,902
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB per share)	12	**1.45**	0.97
PROFIT FOR THE YEAR		**123,035**	72,902
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**128**	189
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**128**	189
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**123,163**	73,091
Attributable to owners of the parent		**123,163**	73,091

Consolidated Statement of Financial Position

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,108,176	1,020,081
Right-of-use assets	14	178,584	190,527
Other intangible assets	15	3,288	4,056
Investment in a joint venture	16	22,973	11,668
Investment in an associate	17	23,481	24,272
Prepayments	20	65,019	32,704
Total non-current assets		1,401,521	1,283,308
CURRENT ASSETS			
Inventories	18	292,403	285,333
Trade and bills receivables	19	311,415	296,314
Prepayments, deposits and other receivables	20	147,306	145,367
Pledged deposits	22	125,397	40,127
Cash and cash equivalents	22	73,680	65,433
Total current assets		950,201	832,574

	Notes	2024 RMB'000	2023 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	23	360,778	149,705
Other payables and accruals	24	286,028	372,971
Interest-bearing bank and other borrowings	25	922,950	852,020
Lease liabilities	14	3,912	15,850
Income tax payable		1,298	32,108
Total current liabilities		1,574,966	1,422,654
NET CURRENT LIABILITIES		(624,765)	(590,080)
TOTAL ASSETS LESS CURRENT LIABILITIES		776,756	693,228
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	–	65,500
Government grants	26	41,057	45,740
Lease liabilities	14	2,680	11,740
Deferred tax liabilities	27	59,394	40,631
Total non-current liabilities		103,131	163,611
NET ASSETS		673,625	529,617
EQUITY			
Equity attributable to owners of the parent:			
Share capital	28	61	48
Reserves	30	673,564	529,569
TOTAL EQUITY		673,625	529,617

Zou Xiaohong	**Chen Ping**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital RMB'000 *(note 28)*	Merger reserve RMB'000 *(note 30)*	Capital reserve RMB'000 *(note 30)*	Other reserves RMB'000 *(note 30)*	Statutory reserve RMB'000 *(note 30)*	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2024	48	64,802	(32,670)	1,257	68,712	593	426,875	529,617
Profit for the year	–	–	–	–	–	–	123,035	123,035
Other comprehensive income for the year:								
Exchange differences related to foreign operations	–	–	–	–	–	128	–	128
Total comprehensive income for the year	–	–	–	–	–	128	123,035	123,163
Issue of new shares *(note 28)*	13	–	91,674	–	–	–	–	91,687
Share issue expenses	–	–	(26,263)	–	–	–	–	(26,263)
Dividend distributions *(note 11)*	–	–	–	–	–	–	(44,998)	(44,998)
Share award scheme arrangements *(note 29)*	–	–	–	419	–	–	–	419
At 31 December 2024	61	64,802*	32,741*	1,676*	68,712*	721*	504,912*	673,625

* These reserve accounts comprise the consolidated reserves of RMB673,564,000 (2023: RMB529,569,000) in the consolidated statement of financial position.

	Attributable to owners of the parent							
	Share capital RMB'000 *(note 28)*	Merger reserve RMB'000 *(note 30)*	Capital reserve RMB'000 *(note 30)*	Other reserves RMB'000 *(note 30)*	Statutory reserve RMB'000 *(note 30)*	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023	48	64,802	(32,670)	838	68,712	404	623,973	726,107
Profit for the year	–	–	–	–	–	–	72,902	72,902
Other comprehensive income for the year:								
Exchange differences related to foreign operations	–	–	–	–	–	189	–	189
Total comprehensive income for the year	–	–	–	–	–	189	72,902	73,091
Dividend distributions *(note 11)*	–	–	–	–	–	–	(270,000)	(270,000)
Share award scheme arrangements *(note 29)*	–	–	–	419	–	–	–	419
At 31 December 2023	48	64,802	(32,670)	1,257	68,712	593	426,875	529,617

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**159,095**	94,738
Adjustments for:			
Finance costs	7	**37,425**	32,281
Interest income	5	**(3,039)**	(3,310)
Depreciation of property, plant and equipment	13	**114,536**	111,198
Depreciation of right-of-use assets	14	**18,042**	19,809
Amortisation of other intangible assets	15	**1,067**	978
Share award scheme expenses	29	**419**	419
Gain on disposal of property, plant and equipment, and lease modification, net	5, 6	**(1,235)**	(84)
Share of (profit)/loss of a joint venture	16	**(11,305)**	11,834
Share of profit of an associate	17	**(6,281)**	(4,473)
Write-down of/(reversal of write-down of) inventories to net realisable value	6	**(487)**	1,764
Impairment/(reversal of impairment) of trade receivables	19	**786**	(188)
Impairment of construction in progress	13	**—**	2,538
		309,023	267,504
Decrease/(increase) in inventories		**(6,583)**	33,384
Increase in trade and bills receivables		**(215,894)**	(90,972)
Increase in prepayments, deposits and other receivables		**(57,772)**	(11,985)
Increase in contract liabilities		**2,561**	7,677
Increase/(decrease) in trade and bills payables		**211,246**	(21,523)
Increase/(decrease) in other payables and accruals		**75,217**	(6,604)
Increase of restricted bank deposits	22	**(2,584)**	—
Decrease in government grants		**(4,683)**	(3,286)
Cash generated from operations		**310,531**	174,195
Income taxes paid		**(48,023)**	(11,599)
Net cash flows from operating activities		**262,508**	162,596

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(96,766)**	(34,341)
Investment in a fund		**—**	(30,500)
Withdrawal of investment in a fund		**10,500**	20,000
Additions to right-of-use assets	14	**(11,483)**	(646)
Additions to other intangible assets	15	**(299)**	(1,461)
Interest received from bank deposits		**2,550**	2,278
Loans to related parties	31(a), 35(b)	**(8,000)**	(50,955)
Received from loans to related parties	31(a), 35(b)	**33,850**	205
Proceeds from disposal of property, plant and equipment		**698**	—
Proceeds from disposal of leasehold land		**403**	—
Dividend received from an associate	17	**7,106**	13,522
Net cash flows used in investing activities		**(61,441)**	(81,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**74,745**	—
Payments for transaction costs for the issue of shares		**(78)**	(2,982)
Interest paid	31(b)	**(36,451)**	(30,356)
Proceeds from interest-bearing bank loans and other borrowings		**924,950**	989,020
Repayment of bank loans and other borrowings		**(919,520)**	(805,800)
Lease payments (including related interest)	14	**(15,992)**	(17,242)
Placement of pledged bank deposits		**(122,813)**	(56,780)
Withdrawal of pledged bank deposits		**40,127**	81,328
Dividends paid		**(137,916)**	(256,093)
Net cash flows used in financing activities		**(192,948)**	(98,905)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,119**	(18,207)
Cash and cash equivalents at beginning of year		**65,433**	83,451
Effect of foreign exchange rate changes, net		**128**	189
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**73,680**	65,433
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**73,680**	65,433

1. CORPORATE AND GROUP INFORMATION

Wuhan Youji Holdings Ltd. was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2016. The registered address of the office of the Company is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The principal place of business in Hong Kong of the Company is Room 1922, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Vastocean Capital Limited, which is incorporated in British Virgin Islands ("**BVI**").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Centelligence Holdings Limited	BVI 27 September 2016	United States Dollars ("**USD**") 50 thousand	100%	–	Investment-holding
Centelligence International Holdings Limited	Hong Kong 4 November 2016	USD59.58 million	–	100%	Investment-holding
Wuhan International Holding I Limited	BVI 26 May 2016	USD50 thousand	–	100%	Investment-holding
Wuhan International Holding II Limited	BVI 26 May 2016	USD50 thousand	–	100%	Investment-holding
Wuhan Youji Industry Co., Ltd.* ("**Wuhan Youji**") 武漢有機實業有限公司	PRC/Mainland China 12 January 1990	RMB55.84 million	–	100%	Toluene organic manufacturing
Qianjiang Xinyihong Organic Chemical Co., Ltd.* 潛江新億宏有機化工有限公司	PRC/Mainland China 5 December 2006	RMB30 million	–	100%	Toluene organic manufacturing
Hubei Kangxin Chemical Trading Co., Ltd.* 湖北康新化工貿易有限責任公司	PRC/Mainland China 12 December 2018	RMB50 million	–	100%	Toluene trading
Hubei Xinxuanhong New Materials Co., Ltd.* 湖北新軒宏新材料有限公司	PRC/Mainland China 5 January 2021	RMB50 million	–	100%	Toluene organic manufacturing
Hubei Xinlianhong New Materials Technology Co., Ltd.* 湖北新連宏新材料科技有限公司	PRC/Mainland China 28 November 2022	RMB20 million	–	100%	Toluene organic research & development
Wuhan Youji (Hong Kong) Co., Limited 武漢有機(香港)有限公司	Hong Kong 10 June 2016	HKD10 thousand	–	100%	Product trading

* The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

All of the subsidiaries of the Company listed above are limited liability companies.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivable and investment in a fund which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Basis of going concern assumption

Despite that the Group had net current liabilities of approximately RMB625 million and capital commitments of approximately RMB28 million at 31 December 2024, the directors of the Company is of the opinion that the Group will have adequate funds available to enable it to operate as a going concern after taking into account the historical operating performance and future forecasted operating cash inflow of the Group and its available credit facilities of approximately RMB500 million to meet its financial obligations as they fall due for the following twelve months. Accordingly, these financial statements has been prepared on the going concern basis.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Basis of consolidation *(Continued)*

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(Continued)*

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(Continued)*

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

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

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

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5. Non-current Assets Held for Sale and Discontinued Operations.

Fair value measurement

The Group measures its bills receivables and investment in a fund at fair value at the end of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant that would use the asset in its highest and best use.

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Related parties *(Continued)*

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

- (i) the entity and the Group are members of the same Group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Buildings	3.2%–9.5%
Plant and machinery	7.9%–47.5%
Furniture and fixtures	9.5%–23.8%
Motor vehicles	19.0%–33.3%

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

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

Construction in progress represents buildings under construction, and machinery and furniture under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and installation during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The estimated useful life of intangible assets is determined by considering the period of the economic benefits to the Group and period of validity protected by the relevant laws.

Software

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 10 years, which is determined based on the expected technological lives of the software.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	5–50 years
Buildings	2.6–5 years
Storage tanks	3–7 years
Motor vehicles	3–5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss ("**FVTPL**").

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Financial assets *(Continued)*

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instrument and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 30–90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statements of financial positions comprise cash on hand and at banks, and short-term demand deposits, which are subject to an insignificant risk of changes in value and held for the purpose of meeting short term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, as defined above, less any bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. When the grant relates to expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future costs and obligations, it is recognised in profit or loss in the period in which it becomes receivable.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

Sale of industrial products

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using the discounted cash flow method.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employee contributions vest fully with the employees when contributed into the scheme and there are no forfeited contributions that may be used by the Group.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's Articles of Association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material accounting policies *(Continued)*

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liabilities relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liabilities arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the reporting periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits, together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

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

Write-down of inventories to net realisable value

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, market condition and competitor actions in the future.

Leases — Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

Operating Segment information

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of the resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical Information

Details of the revenue from external customers by geographical market are included in note 5 to the financial statements.

Non-current assets

As at 31 December 2023 and 2024, all of the Group's non-current assets were located in Mainland China.

Information about a major customer

During the year ended 31 December 2023 and 2024, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	3,284,183	2,677,103

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of goods or services

	2024 RMB'000	2023 RMB'000
Sale of industrial products:		
Toluene oxidation products	2,069,979	1,515,254
Toluene chlorination products	711,375	705,810
Trading of materials and products	502,829	456,039
Total	3,284,183	2,677,103

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) *Disaggregated revenue information* *(Continued)*

Geographical markets

	2024 RMB'000	2023 RMB'000
Mainland China	2,448,687	2,060,003
Asia (except Mainland China)	492,040	287,508
European Union	220,039	175,848
America	104,522	135,882
Other countries/regions	18,895	17,862
Total	3,284,183	2,677,103

The revenue information above is based on the locations of the customers.

Timing of revenue recognition

	2024 RMB'000	2023 RMB'000
Goods transferred at a point in time	3,284,183	2,677,103

In the current reporting period, the amounts of revenue recognised from sale of industrial products of RMB50,596,000 (2023: RMB42,919,000) were included in the contract liabilities at the beginning of the reporting period.

(b) *Performance obligations*

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

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 120 days from delivery, where payment in advance is normally required.

As the remaining performance obligations (unsatisfied or partially satisfied) at the end of the reporting period are part of contracts that have an original expected duration of one year or less, the transaction price allocated to them is not separately disclosed, as permitted by the practical expedient as required by HKFRS 15.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains

	2024 RMB'000	2023 RMB'000
Other income		
Interest income	3,039	3,310
Government grants related to income*	48,796	6,425
Government grants related to assets	5,121	5,353
Sundry income	4,722	2,669
Entrusted processing service	1,450	1,398
Rental income — fixed lease payments *(note 14)*	2,662	1,774
Gain on disposal of items of property, plant and equipment, and lease modification	1,235	84
Total other income	67,025	21,013
Gains		
Foreign exchange differences, net	6,877	3,617
Others	238	875
Total gains	7,115	4,492
Total other income and gains	74,140	25,505

* The government grants represent subsidies received from the local governments for the purpose of compensation of expenses incurred by the Group, including certain expenses relating development and research, and certain employee related costs, etc.

** Government grants related to assets are those received for purchase of assets. If the related capital expenditure has not yet been undertaken, the grants received are included in government grants in the consolidated statements of financial position. For those grants for which capital expenditures have been undertaken, the amounts received are released to profit or loss over the expected useful lives of the relevant assets. There are no unfulfilled conditions or contingencies relating to these grant.

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**2,887,933**	2,347,338
Research and development costs		**137,994**	99,959
Depreciation of property, plant and equipment	13	**114,536**	111,198
Amortisation of other intangible assets*	15	**1,067**	978
Depreciation of right-of-use assets	14	**18,042**	19,809
(Reversal)/write-down of inventories to net realisable value		**(487)**	1,764
Gain on disposal of items of property, plant and equipment, and lease modification, net	5	**(1,235)**	(84)
Impairment/(reversal of impairment) of trade receivables, net	19	**786**	(188)
Foreign exchange differences, net		**(6,877)**	(3,617)
Auditor's remuneration		**2,400**	151
Listing expenses		**9,481**	10,118
Employee benefit expense (including directors' emoluments):			
Salaries, allowances and benefits in kind		**83,750**	66,117
Share award scheme expenses	29	**419**	419
Performance-based bonuses		**24,384**	—
Pension scheme contributions**		**15,300**	15,753
		123,853	82,289

* The amortisation of other intangible assets for the reporting period is included in "Administrative expenses" in profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings		**36,347**	30,267
Interest on discounted bills		**104**	89
Interest on lease liabilities	14	**974**	1,925
		37,425	32,281

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

An executive director and a chief executive of the Company received remuneration from a subsidiary of the Company during the year ended 31 December 2024 and 2023 to their appointment as a director and chief executive of the Company. The remuneration of them is included in the financial statements as follows:

	2024 RMB'000	2023 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,296	3,811
Performance-based bonuses*	2,224	–
Equity-settled share award expenses	88	88
Pension scheme contributions	115	108
Total	6,723	4,007

* Certain executive directors of the Company were entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Dr. Liu Zhongdong	60	–
Dr. Yuan Kang	60	–
Mr. Liu Kai Yu Kenneth	120	–
Total	240	–

Dr. Liu Zhongdong, Dr. Yuan Kang and Mr. Liu Kai Yu Kenneth were appointed as independent non-executive directors of the Company with effect from 18 June 2024.

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share award expenses RMB'000	Performance-based bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2024						
Executive directors:						
Mr. Zou Xiaohong	–	1,563	25	981	–	2,569
Mr. Chen Ping	–	951	14	247	–	1,212
	–	2,514	39	1,228	–	3,781
Non-executive directors:						
Mr. Gao Lei	–	–	–	–	–	–
Mr. Shen Yingming	–	–	24	–	–	24
Ms. Li Deye	–	–	–	–	–	–
	–	–	24	–	–	24
Chief executive:						
Mr. Zhou Xu	–	1,782	25	996	115	2,918
Total	–	4,296	88	2,224	115	6,723
2023						
Executive directors:						
Mr. Zou Xiaohong	–	1,463	25	–	–	1,488
Mr. Chen Ping	–	919	14	–	–	933
	–	2,382	39	–	–	2,421
Non-executive directors:						
Mr. Gao Lei	–	–	–	–	–	–
Mr. Shen Yingming	–	–	24	–	–	24
Ms. Li Deye	–	–	–	–	–	–
	–	–	24	–	–	24
Chief executive:						
Mr. Zhou Xu	–	1,429	25	–	108	1,562
Total	–	3,811	88	–	108	4,007

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 director and 1 chief executive (2023: 2 directors and chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 3 (2023: 2) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	2,411	1,413
Performance-based bonuses	1,697	—
Equity-settled share award expenses	41	27
Pension scheme contributions	345	217
Total	4,494	1,671

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

	2024 RMB'000	2023 RMB'000
HK$ nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	3	1
Total	3	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

	2024 RMB'000	2023 RMB'000
Current — Hong Kong	169	89
Current — Mainland China	12,128	12,106
Current — Withholding Tax	5,000	30,000
Deferred *(note 27)*	18,763	(20,359)
Total tax charge	36,060	21,836

Cayman Islands and BVI

Under the current tax laws of the Cayman Islands and BVI, the Company and its subsidiaries incorporated in Cayman Islands and BVI are not subject to tax on income or capital gains.

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting periods, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law, except for Wuhan Youji Industry Co., Ltd. and Qianjiang Xinyihong Organic Chemical Co., Ltd., which were qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% for the year ended 31 December 2024 and 2023.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the country or jurisdictions in which the Group are domiciled to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	159,095	94,738
Tax charged at the statutory tax rates	39,774	23,685
Preferential tax rate reduction	(11,880)	(7,712)
Profits and losses attributable to a joint venture and associate	(2,638)	1,840
Expenses not deductible for tax purpose	414	233
Additional tax deduction for research and development expenses	(6,087)	(5,489)
Withholding tax on undistributed profits of subsidiaries in Mainland China*	16,477	9,279
Tax charge at the Group's effective rate	36,060	21,836

10. INCOME TAX *(Continued)*

Mainland China *(Continued)*

* Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

Deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The current withholding tax at the end of the reporting periods represents the income tax payable for the dividend distribution of a subsidiary of the Group in Mainland China to its shareholders in BVI.

11. DIVIDENDS

	2024 **RMB'000**	2023 RMB'000
Special — RMB0.4823 (2023: Nil) per ordinary share*	**44,998**	—
Proposed final — RMB0.4823 (2023: RMB3.6) per ordinary share**	**44,998**	270,000

* The special dividend for the year ended 31 December 2024 is approved and based on the financial performance for the year ended 31 December 2023.

** The Group proposed to declare a dividend based on the financial performance for the year ended 31 December 2024, the dividend is subject to the approval of the Company's shareholders at the annual general meeting on 15 May 2025.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 84,850,000 (2023: 75,000,000) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculation of basic and diluted earnings per share are based on:

	2024	2023
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	123,035	72,902
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted earnings per share calculation	84,850,000	75,000,000
Earnings per share (basic and diluted), RMB per share	1.45	0.97

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	413,236	1,022,869	9,310	5,058	146,567	1,597,040
Accumulated depreciation and impairment	(126,875)	(437,094)	(6,540)	(3,912)	(2,538)	(576,959)
Net carrying amount	286,361	585,775	2,770	1,146	144,029	1,020,081
At 1 January 2024, net of accumulated depreciation	286,361	585,775	2,770	1,146	144,029	1,020,081
Additions	256	17,866	672	834	183,703	203,331
Depreciation provided during the year	(18,864)	(94,566)	(714)	(392)	–	(114,536)
Transfers	14,559	65,377	1,534	–	(81,470)	–
Disposals	(49)	(637)	(14)	–	–	(700)
At 31 December 2024, net of accumulated depreciation	282,263	573,815	4,248	1,588	246,262	1,108,176
At 31 December 2024:						
Cost	428,002	1,105,475	11,502	5,892	248,800	1,799,671
Accumulated depreciation and impairment	(145,739)	(531,660)	(7,254)	(4,304)	(2,538)	(691,495)
Net carrying amount	282,263	573,815	4,248	1,588	246,262	1,108,176

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	364,588	955,866	8,347	5,048	108,885	1,442,734
Accumulated depreciation	(109,565)	(343,990)	(5,924)	(4,112)	–	(463,591)
Net carrying amount	255,023	611,876	2,423	936	108,885	979,143
At 1 January 2023, net of accumulated depreciation	255,023	611,876	2,423	936	108,885	979,143
Additions	906	403	689	398	161,226	163,622
Depreciation provided during the year	(17,310)	(93,104)	(616)	(168)	–	(111,198)
Impairment*	–	–	–	–	(2,538)	(2,538)
Transfers	47,742	66,600	274	–	(114,616)	–
Disposals	–	–	–	(20)	(8,928)	(8,948)
At 31 December 2023, net of accumulated depreciation	286,361	585,775	2,770	1,146	144,029	1,020,081
At 31 December 2023:						
Cost	413,236	1,022,869	9,310	5,058	146,567	1,597,040
Accumulated depreciation and impairment	(126,875)	(437,094)	(6,540)	(3,912)	(2,538)	(576,959)
Net carrying amount	286,361	585,775	2,770	1,146	144,029	1,020,081

At 31 December 2024, certain of the Group's buildings with an aggregate carrying amount of RMB122,242,000 (2023: RMB130,554,000) were pledged to secure the Group's bank loans and other borrowings (note 25).

* During the year ended 31 December 2023, the construction of the Group's Wuhan production plant for hydrogenation production line was ceased due to geographical conditions. Certain assets of this hydrogenation production line at Wuhan could not be used anymore. Management of the Group assessed the recoverable amounts of the related idle assets, and a full impairment of RMB2,538,000 was made accordingly.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights, buildings, toluene storage tanks and motor vehicles used in its operations. Lump sum payments were made upfront to acquire certain leased land from the owners with lease terms of 50 years, and no ongoing payments will be made under the terms of these land leases. The lease term of other leased land is 3.9 years with annual lease payment to be made during the lease term. Except for lease arrangements with Linuo Investment, a related entity as disclosed in note 35(e)(ii) to the financial statements, leases of buildings (including factories and warehouses) generally have lease terms between 2 and 5 years, while those of toluene storage tanks generally have lease term of over 6 years. Motor vehicles have lease terms between 3 and 6 years. Other equipment generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

	Leasehold land	Buildings	Storage tanks	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	157,785	17,811	15,733	858	192,187
Additions	21,996	—	—	115	22,111
Depreciation charge	(5,932)	(8,525)	(4,749)	(603)	(19,809)
Lease modification	(3,962)	—	—	—	(3,962)
As at 31 December 2023 and 1 January 2024	**169,887**	**9,286**	**10,984**	**370**	**190,527**
Additions	**11,484**	**—**	**—**	**2,264**	**13,748**
Depreciation charge	**(5,181)**	**(8,499)**	**(3,211)**	**(1,151)**	**(18,042)**
Disposal	**(769)**	**—**	**—**	**—**	**(769)**
Lease modification	**—**	**160**	**(7,716)**	**676**	**(6,880)**
As at 31 December 2024	**175,421**	**947**	**57**	**2,159**	**178,584**

At 31 December 2024, certain of the Group's leasehold land with a net carrying amount of approximately RMB136,600,000 (2023: RMB139,971,000) were pledged to secure the Group's bank loans and other borrowings (note 25).

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) *Lease liabilities*

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	27,590	46,835
New leases	2,264	115
Accretion of interest recognised during the year	974	1,925
Payments	(15,992)	(17,242)
Lease modification	(8,244)	(4,043)
Carrying amount at 31 December	6,592	27,590
Analysed into:		
Current portion	3,912	15,850
Non-current portion	2,680	11,740

The maturity analysis of lease liabilities is as follows:

	2024 RMB'000	2023 RMB'000
Within one year	3,912	15,850
After one year but within two years	2,514	7,973
After two years but within five years	166	3,767
	6,592	27,590

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities *(note 7)*	974	1,925
Depreciation charge of right-of-use assets *(note 14)*	18,042	19,809
Expenses relating to short-term leases (included in cost of sales)	—	4
Gain on lease modification	(1,364)	(81)
Total amount recognised in profit or loss	18,421	21,657

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31(c) and 38, respectively, to the financial statements.

14. LEASES *(Continued)*

The Group as a lessor

The Group leases its owned storage tanks under operating lease arrangements for a period of 5 years since August 2020, which was renegotiated as a long-term contract without a specific lease term in January 2022. Any early termination of the long-term contract requires a consensus from both the Group and the lessee. In addition, the Group leased a workshop for a period of one year from January 1 to December 31, with contract signed annually during the reporting period. Rental income recognised by the Group during the year was RMB2,662,000 (2023: RMB1,774,000), details of which are included in note 5 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group based on the long-term contract for the storage tanks without a specific lease term disclosed above are RMB1,440,000 (2023: RMB1,440,000) in each coming year.

15. OTHER INTANGIBLE ASSETS

	Patent and licences RMB'000	Software RMB'000	Total RMB'000
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	**1,315**	**2,741**	**4,056**
Additions-external purchase	**299**	**—**	**299**
Amortisation provided during the year	**(452)**	**(615)**	**(1,067)**
At 31 December 2024	**1,162**	**2,126**	**3,288**
At 31 December 2024			
Cost	**5,420**	**6,438**	**11,858**
Accumulated amortisation	**(4,258)**	**(4,312)**	**(8,570)**
Net carrying amount	**1,162**	**2,126**	**3,288**
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	1,680	1,893	3,573
Additions-external purchase	101	1,360	1,461
Amortisation provided during the year	(466)	(512)	(978)
At 31 December 2023	1,315	2,741	4,056
At 31 December 2023			
Cost	5,121	6,438	11,559
Accumulated amortisation	(3,806)	(3,697)	(7,503)
Net carrying amount	1,315	2,741	4,056

16. INVESTMENT IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Share of net assets	**22,973**	11,668

Particular of the Group's joint venture is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group As at December 31, 2024	2023	Principal activity
Hebei Kangshi New Materials Co., Ltd. ("**Hebei Kangshi**") 河北康石新材料有限公司	Ordinary shares	The PRC/Mainland China	**51%**	51%	Manufacture and sale of industrial products

Hebei Kangshi, which is considered a material joint venture of the Group, acts as the Group's manufacturer of industrial products in Mainland China and is accounted for using the equity method. Hebei Kangshi was set up in January 2019 and the Group initially contributed RMB40,579,000 to the joint venture.

The following table illustrates the summarised financial information of Hebei Kangshi adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	**38,368**	41,406
Non-current assets	**174,007**	141,562
Current liabilities	**155,731**	137,290
Non-current liabilities	**11,600**	22,800
Net assets	**45,044**	22,878
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Carrying amount of the investment	**22,972**	11,668
Revenue	**150,175**	231,766
Profit/(loss) for the year	**22,166**	(23,204)

17. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Share of net assets	**23,481**	24,272

The Group's trade receivable balances due from the associate are disclosed in notes 19 and 35(d) to the financial statements, respectively.

Particular of the Group's associate is as follows:

Name	Particular of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group As at December 31, 2024	2023	Principal activity
Wuhan Eastman Organic Chemical Co., Ltd. ("**Wuhan Eastman**") 武漢伊士曼有機化工有限公司	Ordinary shares	PRC/Mainland China	**49%**	49%	Manufacture of industrial products

Wuhan Eastman was set up in December 2010 and the Group initially contributed RMB5,553,000 to the associate. The investment in Wuhan Eastman is accounted for using the equity method.

The following table illustrates the summarised financial information of Wuhan Eastman adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	**44,751**	43,166
Non-current assets, excluding goodwill	**9,129**	10,686
Current liabilities	**5,397**	3,725
Non-current liabilities	**279**	240
Net assets	**48,204**	49,887
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Adjustments of unrealised profit arising from sales by the Group to the associate	**(139)**	(173)
Carrying amount of the investment	**23,481**	24,272
Revenue	**77,298**	62,881
Profit for the year	**12,817**	9,128
Dividend declared by the associate to the Group	**7,106**	13,522

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	121,930	109,820
Work in progress	15,147	13,269
Finished goods	156,603	164,008
	293,680	287,097
Impairment	(1,277)	(1,764)
Total	292,403	285,333

19. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	154,044	97,211
Bills receivable	158,781	199,727
	312,825	296,938
Impairment	(1,410)	(624)
Net carrying amount	311,415	296,314

The Group's trading terms with its customers are mainly paid in advance, except for some customers with good credit, where payment on credit is permitted. Generally, the credit period is one month and extending up to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Bills receivable are measured at fair value through profit or loss. Bills receivable are bank acceptance bills that are unconditionally accepted by banks within the maturity period. Bills receivable are all aged within 6 months.

Included in the Group's trade receivables are amounts due from associate of the Group of 2024: RMB1,894,000, netted of RMB9,000 impairment allowance (2023: RMB1,261,000, netted of RMB6,000 impairment allowance), which are repayable on credit terms similar to those offered to the major customers of the Group.

Details of trade receivable balances due from other related parties are disclosed in note 35(d) to the financial statements.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Transferred financial assets that are not derecognised in their entirety

At 31 December 2024, the Group endorsed certain bills receivable accepted by banks (the "**Bank Bills**") in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB144,287,000 (2023: RMB161,271,000) to certain of its suppliers in order to settle the trade and other payables due to such suppliers (the "**Endorsement**").

In the opinion of the Company's directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade and other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

At 31 December 2024, the aggregated carrying amount of the trade payables and other payables settled by the Endorsed Bills during the year to which the suppliers have recourse were RMB78,626,000 and RMB65,661,000, respectively (2023: RMB96,457,000 and RMB64,814,000, respectively).

Transferred financial assets that are derecognised in their entirety

At 31 December 2024, the Group endorsed certain Bank Bills in Mainland China with a carrying amount of RMB258,422,000 (2023: RMB149,474,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. At 31 December 2024, the Group also transferred certain Bank Bills in Mainland China with a carrying amount of RMB19,248,000 (2023: RMB9,646,000) to certain banks in order to obtain cash from such banks. These bills receivables being endorsed and transferred are collectively referred to derecognised bills (the "**Derecognised Bills**").

The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the Company's directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables and other borrowings. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Company's directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and transfer have been made evenly throughout the year.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 4 months	134,221	96,537
Over 4 months but within 6 months	13,978	—
Over 6 months but within 12 months	5,845	674
Total	154,044	97,211

The maturity date analysis for bills receivable is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	101,203	80,859
Over 3 months but within 6 months	57,578	118,868
Total	158,781	199,727

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	624	812
Impairment losses, net *(note 6)*	786	(188)
At end of year	1,410	624

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Given there were no significant changes in the historical and forecasts of future conditions, the expected loss rates for trade receivables remained substantially the same throughout the reporting period.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

		Past due		
	Current	Less than 3 months	3 to 6 months	Total
				RMB'000
Expected credit loss rate	**0.5%**	**1.0%**	**3.0%**	
Gross carrying amount	**93,856**	**41,984**	**18,204**	**154,044**
Expected credit losses	**444**	**420**	**546**	**1,410**

As at 31 December 2023

		Past due		
	Current	Less than 3 months	3 to 6 months	Total
				RMB'000
Expected credit loss rate	0.5%	1.0%	3.0%	
Gross carrying amount	83,667	12,573	971	97,211
Expected credit losses	452	143	29	624

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Non-current:		
Prepayments for property, plant and equipment and leasehold land	**65,019**	32,704
Current:		
Loans to directors *(note 21)*	**291**	349
Amounts due from other related parties *(note 35(c))*	**11,574**	59,414
Deposits and other receivables	**13,028**	13,644
Prepayments	**26,563**	29,311
Deductible input VAT	**95,463**	31,711
Prepaid income tax	**387**	438
Investment in a fund*	**—**	10,500
	147,306	145,367

* The fund was set up in July 2023 in Mainland China, and the Group's investment in the fund was measured at fair value through profit or loss. Pursuant to a resolution of the fund's investors in December 2023, the fund was being cancelled as at 31 December 2023. The Group received the investment proceeds in January 2024 and the fund was then liquidated in February 2024.

None of the above financial assets is either past due or impaired. The other financial assets included in the above balances relate to receivables for which there was no recent history of default. As at the end of the reporting period, the loss allowance was assessed to be minimal as the loss given default are minimal.

21. LOANS TO DIRECTORS

Name	At January 1, 2023 RMB'000	Maximum amount outstanding in 2023 RMB'000	At December 31, 2023 RMB'000	Maximum amount outstanding in 2024 RMB'000	At December 31, 2024 RMB'000
Mr. Zou Xiaohong	549	549	349	349	291

The loans granted to directors are unsecured, non-interest-bearing and repayable on demand.

The loans granted to directors are non-trade in nature.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	199,077	105,560
Less: Pledged time deposits:		
Pledged for bills payable	72,982	—
Pledged for letter of credit	49,831	40,127
Restricted bank deposits:		
Frozen bank deposits*	1,809	—
Remittance of funds**	775	—
	125,397	40,127
Cash and cash equivalents	73,680	65,433
Cash and bank balances		
denominated in:		
RMB	149,413	84,151
EUR	365	425
USD	49,299	20,984

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

* As at 31 December 2024, bank deposit of RMB1,809,000 were frozen by court for a legal proceeding of a claim against the Group.

** As at 31 December 2024, bank deposit of RMB775,000 associated with remittance of funds into Mainland China were subject to relevant rules and regulations of foreign exchange control and were restricted, the restriction was released before the approval of the financial statements.

23. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	151,260	149,705
Bills payable	209,518	—
	360,778	149,705

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

	2024 RMB'000	2023 RMB'000
Within 1 year	151,177	149,444
1 year to 2 years	61	152
Over 2 years	22	109
	151,260	149,705

The maturity date analysis for bills payable is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	175,480	—
3 months to 6 months	34,038	—
	209,518	—

Trade payables are non-interest-bearing and are normally settled within 90-day terms.

24. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Contract liabilities	(a)	53,157	50,596
Other payables and accruals	(b)	172,492	160,878
Amounts due to related parties	35(c)	200	5,825
Dividend payable		34,160	127,077
Accrued wages and salaries		13,453	19,990
Deferred output VAT		6,910	6,049
Other tax payable		5,656	2,556
		286,028	372,971

24. OTHER PAYABLES AND ACCRUALS *(Continued)*

(a) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	December 31, 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers*	53,157	50,596	42,919

* Contract liabilities include short-term advances received to deliver industrial products.

(b) Other payables are unsecured and non-interest-bearing. Details of other payables are as follows:

	2024 RMB'000	2023 RMB'000
Construction fees	63,334	61,315
Transportation expenses	53,666	49,383
Spare parts fees	15,360	17,881
Energies	3,995	6,185
Deposits and others	36,137	26,114
	172,492	160,878

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2024			As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	3–5	2025	98,500	4–5	2024	268,020
Bank loans — unsecured	3–5	2025	709,950	3–5	2024	514,000
Current portion of long-term bank loans — secured	5	2025	42,000	5	2024	12,000
Current portion of long-term bank loans — unsecured	4	2025	23,500	4	2024	18,000
Other borrowings — unsecured		2025	49,000		2024	40,000
Total — current			922,950			852,020
Non Current						
Bank loans-unsecured			–	4	2025	23,500
Bank loans-secured			–	5	2025	42,000
Total — non-current			–			65,500
Total			922,950			917,520

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2024 RMB'000	2023 RMB'000
Analysed into:		
Within one year	**922,950**	812,020
After one year but within two years	**—**	65,500
	922,950	917,520

Notes:

(a) Bank loans and other borrowings of the Group are secured by:

At 31 December 2024, mortgages over the Group's plant, equipment and buildings situated in Mainland China, which had an aggregate carrying amount of RMB122,242,000 (2023: RMB130,554,000) (note 13);

At 31 December 2024, mortgages over the Group's leasehold lands situated in Mainland China, which had an aggregate carrying amount of RMB136,600,000 (2023: RMB139,971,000) (note 14);

(b) All bank loans and other borrowings of the Group are denominated in RMB and at fixed interest rates except for an unsecured bank loan with the amount of RMB23,500,000 as at 31 December 2024 is at floating interest rate.

26. GOVERNMENT GRANTS

	2024 RMB'000	2023 RMB'000
Government grants*	**41,057**	45,740

26. GOVERNMENT GRANTS *(Continued)*

The movements in government grants during the reporting period are as follows:

	RMB'000
At 1 January 2023	49,026
Received during the year	2,067
Released to profit or loss	(5,353)
At 31 December 2023 and 1 January 2024	**45,740**
Received during the year	**3,521**
Released to profit or loss	**(5,121)**
Others**	**(3,083)**
At 31 December 2024	**41,057**

* The Group received government grants for capital expenditure incurred for the purchase of plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

** The Group received a government grant related to assets amount of RMB3,435,000 in December 2022, and amortised over 10 years. The government grant was refunded to the government in September 2024 which caused a decrease of RMB3,083,000 as at 31 December 2024.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the reporting period are as follows:

Deferred tax liabilities

	Depreciation difference for tax purpose RMB'000	**Right-of-use assets** RMB'000	**Withholding tax on undistributed profits of subsidiaries in Mainland China** RMB'000	**Total** RMB'000
At 1 January 2023	44,845	6,842	30,426	82,113
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	4,132	(2,960)	(20,721)	(19,549)
Gross deferred tax liabilities at 31 December 2023	**48,977**	**3,882**	**9,705**	**62,564**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**1,592**	**(2,851)**	**11,477**	**10,218**
Gross deferred tax liabilities at 31 December 2024	**50,569**	**1,031**	**21,182**	**72,782**

27. DEFERRED TAX *(Continued)*

Deferred tax assets

	Government grants RMB'000	Lease liability RMB'000	Unpaid payroll RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	7,354	7,025	4,052	2,692	21,123
Deferred tax credited to profit or loss during the year *(note 10)*	(493)	(2,887)	(1,053)	5,243	810
Gross deferred tax assets at 31 December 2023	**6,861**	**4,138**	**2,999**	**7,935**	**21,933**
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	**(701)**	**(3,149)**	**(985)**	**(3,710)**	**(8,545)**
Gross deferred tax assets at 31 December 2024	**6,160**	**989**	**2,014**	**4,225**	**13,388**

For presentation purposes, deferred tax assets and liabilities have been offset in the consolidated statements of financial position as follows:

	2024 RMB'000	2023 RMB'000
Net deferred tax liabilities recognised in the consolidated statements of financial position	**59,394**	40,631

28. SHARE CAPITAL

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
93,300,000 ordinary shares of USD0.0001 each (31 December 2023: 75,000,000 ordinary shares of USD0.0001 each)	**61**	48

28. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2023, 31 December 2023	75,000,000	48
Issue of new ordinary shares	18,300,000	13
At 31 December 2024	93,300,000	61

In connection with the Company's Hong Kong Public Offering and the International Offering on 18 June 2024, 18,300,000 ordinary shares of USD0.0001 each were issued and allotted at an offer price of HKD5.50 per share for a total gross consideration of HKD100,650,000 (equivalent to RMB91,687,000). The remaining proceeds of HKD100,635,000 (equivalent to approximately RMB91,674,000) before share issue expense of approximately RMB26,263,000 were credited to share premium account.

29. SHARE AWARD SCHEME

On January 18, 2021, Wuhan Linuo Investment Holdings Group Co., Ltd. ("**Linuo Investment**") and Cougar Holdings approved a share award scheme (the "**Scheme**") of Wuhan Youji, pursuant to which Linuo Investment (a substantial shareholder of Cougar Holdings) agreed to grant share awards representing an aggregate of 600 shares in Cougar Holdings (the "**Awarded Shares**") to 104 eligible employees of the Group, including the senior and middle management of Wuhan Youji at the time. The purpose of the scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The agreed and approved award price was RMB48,511.31 per share with a total award consideration of RMB29,106,786. The underlying Awarded Shares had been transferred by Linuo Investment to the eligible employees when a share transfer agreement was signed with Linuo Investment. Meanwhile, as the registration procedures of the employees ruling by relevant regulation had not been completed when the Awarded Shares were granted, such shares remained to be held by Linuo Investment according to the share transfer agreement. The award considerations were fully paid by the eligible employees to Linuo Investment in November 2021. Pursuant to the Scheme, the eligible employees of the Awarded Shares are required to provide services to the Group for five years starting from January 18, 2021.

The fair value of the Awarded Shares under the Scheme as at the date of grant was determined based on the discounted cash flow method by an independent professional valuer.

Based on the valuation, the fair value of each Awarded Share is determined at RMB52,007.93 and the total fair value of the Awarded Shares is amounted to RMB31,204,755. Hence, the total share-based payment expenses of the Scheme are RMB2,097,969. Set out below is a summary of the Scheme:

Date of grant	Fair value at the date of grant	Award price paid by employees	Total share-based payment expenses
	RMB'000	RMB'000	RMB'000
January 18, 2021	31,205	29,107	2,098

29. SHARE AWARD SCHEME *(Continued)*

Amortisation to profit or loss in 2023 RMB'000	Deferred expenses as at 31 December 2023 RMB'000	**Amortisation to profit or loss in 2024 RMB'000**	**Deferred expenses as at 31 December 2024 RMB'000**
419	841	**419**	**422**

During the corporate reorganisation undergone by the Group in preparation of the initial listing for the shares of the Company on the Stock Exchange ("**Listing**") in March 2022, the Awarded Shares were replaced by 4,500,000 ordinary shares newly issued (which were included in the new issuance of 75,000,000 ordinary shares as described in note 28) by the Company and the effective interest in the Group under the Scheme remained the same at 6%. According to the Scheme, Mr. Shen Yingming will purchase the shares of the Company from the eligible employees if they leave the Group within 5 years from January 18, 2021 at a price which equals to the award price paid by the respective eligible employees plus an interest (based on bank deposit interest rate) for the period commencing from the date the employee paid the award price.

30. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 10 to 11 of the financial statements.

Merger reserve

The merger reserve of the Group represents the difference between the par value of the Company's shares issued in exchange for the shares of the then holding company and the carrying amount of the issued share capital and capital contribution of the then holding company of the Group.

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserve reach 50% of their respective registered capital.

Capital reserve

The capital reserve as at 1 January 2024 represents the difference between the consideration of US$5,200,000 for the repurchase of Company's shares and the carrying amount of the Company's share capital of US$50,000, according to the subscription, repurchase and transfer agreement entered into as at 7 March 2022. The movements of capital reserve in 2024 represents the difference between the par value of the shares issued and the consideration received in connection with the Company's Hong Kong Public Offering and the International Offering on 18 June 2024.

Other reserves

Other reserves represent equity-settled share award arrangements (note 29).

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,264,000 (2023: RMB115,000) and RMB2,264,000 (2023: RMB115,000), respectively, in respect of the Group's lease arrangements.

(ii) During the year, the Group endorsed bills receivable of RMB258,422,000 (2023: RMB149,474,000) to settle the payables for purchase of property, plant and equipment, and materials.

(iii) Based on an agreement entered into by Hebei Kangshi and Wuhan Youji Industries Co., Ltd. on 31 December 2023, it was agreed that loans of RMB11,684,000 that Hebei Kangshi borrowed from Wuhan Youji Industries Co., Ltd. were used to offset the Group's payables due to Hebei Kangshi.

(iv) During the year ended 31 December 2023, Hebei Kangshi received prepayment of RMB7,172,869 from its customers, while Wuhan Youji fulfilled the contracts obligations by delivering goods to those customers on behalf of Hebei Kangshi. Since Hebei Kangshi should settle the payment of RMB7,172,869 to Wuhan Youji, Hebei Kangshi and Wuhan Youji entered into an agreement in September 2023, where both parties agreed that the amount due from Hebei Kangshi was repayable within one year and carried interest at 4.8% per annum.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000 *(note 25)*	**Pledged deposits** RMB'000 *(note 22)*	**Interest payable** RMB'000	**Lease Liabilities** RMB'000 *(note 14(b))*	**Total** RMB'000
At 1 January 2023	734,300	(64,675)	–	46,835	716,460
Changes from financing cash flow	183,220	24,548	(30,356)	(17,242)	160,170
New leases	–	–	–	115	115
Lease modification	–	–	–	(4,043)	(4,043)
Interest expenses	–	–	30,356	1,925	32,281
At 31 December 2023 and 1 January 2024	**917,520**	**(40,127)**	**–**	**27,590**	**904,983**
Changes from financing cash flow	**5,430**	**(82,686)**	**(36,451)**	**(15,992)**	**(129,699)**
New leases	**–**	**–**	**–**	**2,264**	**2,264**
Lease modification	**–**	**–**	**–**	**(8,244)**	**(8,244)**
Interest expenses	**–**	**–**	**36,451**	**974**	**37,425**
At 31 December 2024	**922,950**	**(122,813)**	**–**	**6,592**	**806,729**

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) The total cash outflows for leases included in the statements of cash flows are as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	—	4
Within investing activities	11,080	646
Within financing activities	17,849	17,242
	28,929	17,892

32. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 13, 14 and 22, respectively, to the financial statements.

34. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Plant and machinery	27,794	42,700

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed in note 17, note 19, note 20, note 24 and note 31(a) to the financial statements, the Group had the following transactions and balances with related parties during the reporting period.

(a) Name and relationship

Name of related parties	Relationship with the Group
Mr. Gao Lei	Non-executive director and single largest shareholder of the Company's parent
Mr. Gao Yuankun	Father of Mr. Gao Lei
Mr. Zou Xiaohong	Executive director
力諾集團股份有限公司 Linuo Group	Entity controlled by Mr. Gao Yuankun
武漢力諾投資控股集團有限公司 Linuo Investment	Entity controlled by Mr. Gao Yuankun
武漢新康化工設備有限公司 Wuhan Xinkang Chemical Equipment Co., Ltd. ("**Xinkang Chemical**")	Entity controlled by Mr. Gao Lei
武漢伊士曼有機化工有限公司 Wuhan Eastman Organic Chemical Co., Ltd. ("**Wuhan Eastman**")	Associate
河北康石新材料有限公司 Hebei Kangshi New Materials Co., Ltd. ("**Hebei Kangshi**")	Joint venture
山東宏濟堂製藥集團股份有限公司 Shandong Hongjitang Pharmaceutical Group Co., Ltd. ("**Shandong Hongjitang**")	Entity controlled by Mr. Gao Yuankun
武漢雙虎塗料股份有限公司 Wuhan Twin Tigers Coatings Co., Ltd. ("**Twin Tigers Coatings**")	Entity controlled by Mr. Gao Yuankun
武漢力諾智慧園科技管理有限公司 Wuhan Linuo Wisdom Park Technology Management Co., Ltd. ("**Linuo Wisdom Park Technology**")	Entity controlled by Mr. Gao Yuankun
山東城安實業有限公司 Shandong Chengan Industrial Co., Ltd. ("**Shandong Chengan**")	Entity controlled by Mr. Gao Yuankun
應城市武瀚有機材料有限公司 Yingcheng Wuhan Organic Material Co., Ltd. ("**Yingcheng Wuhan Organic**")	Mr. Zou Xiaohong is the corporate representative and minority shareholder of the entity
山東力諾光伏高科技有限公司 Shandong Linuo Photovoltaic Hi-tech Co., Ltd. ("**Shandong Linuo Photovoltaic**")	Entity controlled by Mr. Gao Yuankun
湖北拓樸有機磷化進出口有限公司 Hubei Tuopu Organic and Phosphoric Chemicals Import & Export Co., Ltd. ("**Hubei Tuopu**")	A non-controlling shareholder of Cougar Holdings
山東宏濟堂健康產業有限公司 Shandong Hongjitang Health Industry Co., Ltd. ("**Shandong Hongjitang Health**")	Entity controlled by Mr. Gao Yuankun

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

The Group had the following material related party transactions during the reporting period:

	2024 RMB'000	2023 RMB'000
Purchases of goods or services		
Linuo Investment (i)	**21,312**	21,190
Linuo Wisdom Park Technology (ii)	**552**	494
Twin Tigers Coatings (iii)	**2,239**	2,054
Hebei Kangshi (iv)	**159,155**	151,222
Shandong Hongjitang Health (v)	**5**	8
	183,263	174,968
Purchases of machinery		
Xinkang Chemical (vi)	**59,621**	25,660
Sales of goods		
Hubei Tuopu (vii)	**8,706**	7,637
Yingcheng Wuhan Organic (vii)	**131**	1,158
Hebei Kangshi (vii)	**5,708**	28
Wuhan Eastman (vii)	**27,092**	25,749
	41,637	34,998
Render of services		
Linuo Wisdom Park Technology (vii)	**437**	426
Xinkang Chemical (vii)	**1,764**	1,084
Twin Tigers Coatings (vii)	**2,400**	2,506
	4,601	4,016
Disposal of machinery and equipment		
Xinkang Chemical (viii)	**—**	8,928

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

	2024 RMB'000	2023 RMB'000
Loans to		
Hebei Kangshi (ix)	8,518	58,128
Settled from loans to		
Linuo Group	–	5
Mr. Zou Xiaohong	–	200
Hebei Kangshi (ix)	53,252	13,394
	53,252	13,599

These transactions were conducted in accordance with the terms and conditions agreed between the Group and its related parties.

Notes:

(i) During the year ended 31 December 2024 and 2023, the Group leased buildings and received property management service from Linuo Investment.

(ii) During the year ended 31 December 2024 and 2023, the Group received dining service from Linuo Wisdom Park Technology.

(iii) During the year ended 31 December 2024 and 2023, the Group leased buildings and purchased industrial products from Twin Tigers Coatings.

(iv) During the year ended 31 December 2024 and 2023, the Group purchased processing service and good from Hebei Kangshi.

(v) During the year ended 31 December 2024 and 2023, the Group purchased health products from Shandong Hongjitang Health.

(vi) During the year ended 31 December 2024 and 2023, the Group purchased machinery from Xinkang Chemical.

(vii) During the year ended 31 December 2024 and 2023, the Group sold industrial products to Hubei Tuopu, Yingcheng Wuhan Organic, Hebei Kangshi and Wuhan Eastman. In addition, the Group provided processing and leasing of storage tanks to Twin Tigers Coatings and other services to Xinkang Chemical, and provided utilities to Twin Tigers Coatings, Xinkang Chemical and Linuo Wisdom Park Technology.

(viii) In 2023, the Group disposed certain machinery and equipment included in a construction in progress project with an aggregate carrying amount of RMB8,928,000 to Xinkang Chemical for a consideration of RMB8,928,000, no disposal gain or loss was recognised.

(ix) During the year ended 31 December 2024 and 2023, the Group provided loans to Hebei Kangshi at an interest rate of 4.8% per annum, and the related interest income of RMB489,000 (2023: RMB1,032,000) was recognised during the year. The loan is unsecured and has been settled by offsetting the Group's payables due to Hebei Kangshi for processing service as at 31 December 2024.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties

	2024 RMB'000	2023 RMB'000
Due from related parties included in prepayments, deposits and other receivables (non-trade in nature)		
Mr. Zou Xiaohong *(note 21)*	291	349
Hebei Kangshi	—	44,734
	291	46,437
Included in prepayments, deposits and other receivables (trade in nature)		
Wuhan Eastman	1,101	220
Twin Tigers Coatings	1,153	1,134
Linuo Investment	5,527	—
Xinkang Chemical	3,760	10,326
Hebei Kangshi	33	3,000
	11,574	13,326
Included in trade receivables (trade in nature)		
Wuhan Eastman	1,894	1,267
Hubei Tuopu	385	—
Impairment	(11)	(6)
	2,268	1,261
Total amounts due from related parties	14,133	61,024

The Group's trading terms with related parties are the same as other customers of the Group (note 19).

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties *(Continued)*

The trade receivables due from related parties are non-interest-bearing and unsecured. The ECL assessment of the trade receivables is disclosed in note 19 to the financial statements.

Except for the loans due from Hebei Kangshi as disclosed in note 35(b)(ix) above, the other receivables due from related parties are non-interest bearing, unsecured and repayable on demand and with no recent history of default and past due amounts. The loss allowance was assessed to be minimal.

	2024 RMB'000	2023 RMB'000
Due to related parties included in other payables and accruals (trade in nature)		
Mr. Zou Xiaohong	—	1
Mr. Chen Ping	1	—
Shandong Hongjitang	—	5
Linuo Investment	—	3,245
Xinkang Chemical	68	2,407
Shandong Chengan	74	74
Linuo Wisdom Park Technology	—	36
Shandong Linuo Photovoltaic	57	57
	200	5,825
Included in contract liabilities (trade in nature)		
Xinkang chemical	355	—
Hebei Kangshi	1,404	—
Yingcheng Wuhan Organic	2	2
	1,761	2
Included in trade payable(trade in nature)		
Hebei Kangshi	3,415	139
Total amounts due to related parties	5,376	5,966

The financial liabilities included in the above balances are non-interest bearing, unsecured and repayable within one year.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Financing arrangements

The following transactions were carried out with the related parties:

(i) Pursuant to the agreements between the Group and Twin Tigers Coatings, the Group leased land and plant from Twin Tigers Coatings for a lease term from July 13, 2020 to July 12, 2025. The lease terms were mutually agreed between parties. Right-of-use assets and lease liabilities were recognised at the commencement date of the leases. The amount of rent payable by the Group under the lease was approximately RMB187,000 per month.

	2024	2023
	RMB'000	RMB'000
Included in lease liabilities:		
Amounts owed to Twin Tigers Coatings	**947**	2,890
Related interest expenses	**109**	206
Related depreciation charged	**1,806**	1,806

(ii) The Group entered into three long-term lease agreements leasing buildings and leasehold land from Linuo Investment including:

- A lease agreement with 3-years lease term from 1 January 2022 to 31 December 2024 at a monthly rental of RMB600,000;
- A lease agreement with 2.6-year lease term from 1 June 2022 to 31 December 2024 at a monthly rental of RMB50,000;
- A lease agreement with 5-year lease term from 1 July 2022 to 30 June 2027 at an annual rental of RMB3,000,000, which was amended on 1 July 2023, with reduced leasing area at an annual rental of RMB1,800,000, charged at the same rent per unit area.

These agreements have been recognised as lease liabilities and right-of-use assets (note 14).

	2024	2023
	RMB'000	RMB'000
Included in lease liabilities:		
Amounts owed to Linuo Investment	**3,242**	11,711
Related interest expenses	**319**	849
Related depreciation charged	**8,225**	8,731

35. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Compensation of key management personnel of the Group

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	5,277	4,712
Performance-based bonuses	2,593	—
Equity-settled share award expenses	102	102
Pension scheme contributions	230	217
	8,202	5,031

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2024

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade and bills receivables	152,634	158,781	311,415
Financial assets included in prepayments, deposits and other receivables	24,893	—	24,893
Pledged deposits	125,397	—	125,397
Cash and cash equivalents	73,680	—	73,680
	376,604	158,781	535,385

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	922,950
Trade and bills payables	360,778
Financial liabilities included in other payables and accruals	206,852
Lease liabilities	6,592
	1,497,172

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

As at 31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade and bills receivables	96,587	199,727	296,314
Financial assets included in prepayments, deposits and other receivables	73,407	10,500	83,907
Pledged deposits	40,127	—	40,127
Cash and cash equivalents	65,433	—	65,433
	275,554	210,227	485,781

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	917,520
Trade and bills payables	149,705
Financial liabilities included in other payables and accruals	293,780
Lease liabilities	27,590
	1,388,595

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, trade and bills payables and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of bills receivable and other current asset have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value during the reporting period were assessed to be insignificant.

The fair values of the non-current portion of interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the non-current portion of interest-bearing bank loans are assessed to be approximate to its carrying amount as at 31 December 2023 and 2024. The changes in fair values as a result of the Group's own non-performance risk for interest-bearing bank loans as at 31 December 2023 and 2024 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Bills receivable	**—**	**158,781**	**—**	**158,781**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	—	199,727	—	199,727
Investment in a fund	—	10,500	—	10,500
	—	210,227	—	210,227

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets during the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents, and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables and other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales in currencies other than the units' functional currencies. Approximately 23% and 26% for the years ended 31 December 2023 and 2024 respectively, of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro ("**EUR**") and RMB exchange rate, USD and RMB exchange rate, of the Group's profit before tax and equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	RMB'000	RMB'000
2024			
If the USD weakens against the RMB	**(5)**	**(7,424)**	**(5,604)**
If the USD strengthens against the RMB	**5**	**7,424**	**5,604**
If the EUR weakens against the RMB	**(5)**	**(51)**	**(38)**
If the EUR strengthens against the RMB	**5**	**51**	**38**
2023			
If the USD weakens against the RMB	(5)	(4,453)	(3,370)
If the USD strengthens against the RMB	5	4,453	3,370
If the EUR weakens against the RMB	(5)	(48)	(36)
If the EUR strengthens against the RMB	5	48	36

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, and pledged deposits included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of the reporting period, cash and cash equivalents and pledged deposits were deposited in banks of high quality without significant credit risk. Management does not expect any loss to arise from non-performance by these banks.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging

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

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	—	—	—	154,044	154,044
Financial assets included in prepayments, deposits and other receivables — Normal*	21,364	—	—	—	21,364
Pledged deposits	125,397	—	—	—	125,397
Cash and cash equivalents	73,680	—	—	—	73,680
	220,441	—	—	154,044	374,485

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	—	—	—	97,211	97,211
Financial assets included in prepayments, deposits and other receivables — Normal*	73,407	—	—	—	73,407
Pledged deposits	40,127	—	—	—	40,127
Cash and cash equivalents	65,433	—	—	—	65,433
	178,967	—	—	97,211	276,178

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral on normal basis.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in industries.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

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

As at 31 December 2024

	Less than 12 months or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 year but within 3 years RMB'000	After 3 year but within 4 years RMB'000	After 4 year but within 5 years RMB'000	Total RMB'000
Lease Liabilities	4,128	2,576	170	–	–	6,874
Interest-bearing bank and other borrowings	940,349	–	–	–	–	940,349
Trade and bills payables	360,778	–	–	–	–	360,778
Financial liabilities included in other payables and accruals	206,852	–	–	–	–	206,852
	1,512,107	2,576	170	–	–	1,514,853

As at 31 December 2023

	Less than 12 months or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 year but within 3 years RMB'000	After 3 year but within 4 years RMB'000	After 4 year but within 5 years RMB'000	Total RMB'000
Lease Liabilities	16,868	8,550	4,440	–	–	29,858
Interest-bearing bank and other borrowings	873,793	66,310	–	–	–	940,103
Trade and bills payables	149,705	–	–	–	–	149,705
Financial liabilities included in other payables and accruals	293,780	–	–	–	–	293,780
	1,334,146	74,860	4,440	–	–	1,413,446

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group uses the gearing ratio which is net debt divided by the capital plus net debt to monitor its capital structure. The gearing ratio as at the end of the reporting period were as follows:

	2024	2023
Interest-bearing bank and other borrowings *(note 25)*	922,950	917,520
Lease liabilities *(note 14)*	6,592	27,590
Less: Cash and cash equivalents *(note 22)*	(73,680)	(65,433)
Pledged deposits *(note 22)*	(125,397)	(40,127)
Net debt	730,465	839,550
Equity attributable to owners of the parent	673,625	529,617
Capital and net debt	1,404,090	1,369,167
Gearing ratio	108%	159%

39. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events subsequent to the end of the reporting period.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		495,658	431,724
CURRENT ASSETS			
Cash and cash equivalents		7,076	267
Amount due from a subsidiary		–	127,077
Prepayments, deposits and other receivables		277	9,909
Total current assets		7,353	137,253
CURRENT LIABILITIES			
Dividend payable	24	–	127,077
Amounts due to subsidiaries		61,982	42,379
Total current liabilities		61,982	169,456
NET CURRENT LIABILITIES		(54,629)	(32,203)
NET ASSETS		441,029	399,521
EQUITY			
Share capital	28	61	48
(Accumulated losses)/retained earnings		(23,158)	758
Capital reserve		464,126	398,715
TOTAL EQUITY		441,029	399,521

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The Company's capital reserve includes: (i) the difference between the par value of the Company's shares issued and the cost of investment in a subsidiary; and (ii) the difference between the consideration for the repurchase of Company's shares and the carrying amount of the Company's share capital on 7 March 2022.

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

	Retained earnings/ (accumulated losses)	Capital reserve	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	10,909	398,715	409,624
Profit and total comprehensive income for the year	259,849	—	259,849
Dividend distribution	(270,000)	—	(270,000)
As at 31 December 2023	**758**	**398,715**	**399,473**
Issue of new shares	**—**	**91,674**	**91,674**
Share issue expenses	**—**	**(26,263)**	**(26,263)**
Profit and total comprehensive income for the year	**21,083**	**—**	**21,083**
Dividend distribution	**(44,999)**	**—**	**(44,999)**
As at 31 December 2024	**(23,158)**	**464,126**	**440,968**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

Five Year Financial Summary

	For the year ended 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	2024	2023	2022	2021	2020
Operating results — Summary					
Revenue	**3,284,183**	2,677,103	3,133,836	2,789,477	1,598,631
Gross profit	**396,250**	329,765	699,278	639,122	423,820
Profit for the year	**123,035**	72,902	340,470	309,137	206,974
Profit attributable to:					
Owners of the parent	**123,035**	72,902	340,470	309,137	206,974
Balance sheet — Summary					
Non-current assets	**1,401,521**	1,283,308	1,292,451	1,182,574	1,105,099
Current assets	**950,201**	832,574	864,887	1,753,796	1,201,582
Total assets	**2,351,722**	2,115,882	2,157,338	2,936,370	2,306,681
Current liabilities	**1,574,966**	1,422,654	1,218,688	1,228,303	944,968
Non-current liabilities	**103,131**	163,611	212,543	187,749	150,836
Net assets	**673,625**	529,617	726,107	1,520,318	1,210,877
Financial ratios					
Gross profit margin	**12.1%**	12.3%	22.3%	22.9%	26.5%
Net profit margin	**3.7%**	2.7%	10.9%	11.1%	12.9%
Return on equity (1)	**20.5%**	11.6%	30.3%	22.6%	18.7%
Current ratio (2)	**0.6**	0.6	0.7	1.4	1.3
Gearing ratio (3)	**108.4%**	158.5%	87.2%	41.3%	39.1%

Notes:

(1) Return on equity is derived by dividing net profit by total equity, where total equity is the average beginning and ending balances of total equity for the given period.

(2) Current ratio is derived by dividing current assets by current liabilities at the end of a given period.

(3) Gearing ratio is calculated at interest-bearing loans and other financial liabilities at the end of the period divided by the total equity.

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Articles" or "Articles of Association"	the amended and restated Memorandum and articles of association of our Company conditionally adopted on 21 May 2024 and with effect upon Listing Date
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Act"	the Companies Act (as revised) of the Cayman Islands as amended from time to time
"Company," "our Company," "we," "our" or "us"	Wuhan Youji Holdings Ltd. (武漢有機控股有限公司) (formerly known as Centelligence Holdings Ltd.), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 23 September 2016
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and in the context of this annual report, refers to the controlling shareholders of our Company, namely Mr. Gao Lei and Vastocean Capital Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group," "our Group," "we," "our" or "us"	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 18 June 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules

Definitions

"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 7 June 2024
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended 31 December 2024
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of our Company of a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States
"%"	percent