中國綠島科技有限公司
CHINA LUDAO TECHNOLOGY COMPANY LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

2024 ANNUAL REPORT

A BETTER WORLD FOR EVERYONE

Stock code : HK 2023

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Yu Yuerong *(Chairman)*
Mr. Wang Xiaobing *(Deputy Chairman)*
Ms. Pan Yili

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung
Mr. Ruan Lianfa
Ms. Yau Kit Kuen Jean

AUDIT COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Ruan Lianfa
Ms. Yau Kit Kuen Jean

NOMINATION COMMITTEE

Ms. Yau Kit Kuen Jean *(Chairlady)*
Mr. Chan Yin Tsung
Mr. Ruan Lianfa
Mr. Yu Yuerong

REMUNERATION COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Ruan Lianfa
Mr. Yu Yuerong
Ms. Yau Kit Kuen Jean

COMPANY SECRETARY

Mr. Ho Ka Wai

REGISTERED OFFICE

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Regatta Office Park
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Grand Cayman KY1-1108
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

5 Sanmen Industry Road
Sanmen Industry Zone
Taizhou City
Zhejiang Province
The PRC

INDEPENDENT AUDITOR

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LEGAL ADVISOR

Ma Tang & Co.
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88 Connaught Road Central
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.

WEBSITE

www.ludaocn.com

STOCK CODE

2023

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of China Ludao Technology Company Limited (the "Company" and together with its subsidiaries, the "Group"), I would like to present to the shareholders of the Company the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "Reporting Period").

During the Reporting Period, the Group demonstrated resilience against domestic and international pressures, achieving favorable growth in both contract manufacturing service ("CMS") and original brand manufacturing ("OBM") sales. Zhejiang Ludao Technology Co., Ltd*（浙江綠島科技有限公司）, one of our subsidiaries, maintained steady growth with strong performance in both sales and profitability. Zhejiang Sinopharm Jinyue Aerosol Co., Ltd*（浙江國藥景岳氣霧劑有限公司）, another subsidiary, commenced production in 2024 and is gradually emerging as a new growth driver for the Group. Remaining committed to our philosophy of "innovative, green and harmonious" development, we continued to strengthen partnerships with strategic customers. While consolidating our existing sales channels, we actively explored new distribution networks, expanded domestic market presence, and intensified research and development efforts for high value-added products to enhance the Group's pricing power. Investments in e-commerce operations were also scaled up, resulting in broader online sales coverage. During the Reporting Period, the Group's CMS business achieved an increase of approximately 36.8% while the OBM business recorded a decrease of approximately 65.8% as a result of adjustments to sales channels.

Last but not least, on behalf of the Board, I would like to extend my heartfelt thanks to the management team, employees, customers, suppliers and business partners of the Group for their dedicated contribution and support and also extend my gratitude to all our shareholders for their continuous support in this challenging year. In praise of their support, the Group will unwaveringly strive for reaping more promising business performance.

Yu Yuerong
Chairman and Executive Director

Hong Kong, 27 March 2025

* *For translation and identification purposes only*

Management Discussion and Analysis

BUSINESS REVIEW

As one of the few top leading manufacturers of the aerosol products in the People's Republic of China (the "PRC"), our Group is principally engaged in the research and development, manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides and wholesales of personal care products and production related materials. We sell our products on CMS basis to overseas markets and on OBM basis in the PRC market. Meanwhile, the Group also expands the market in Mainland China on CMS basis gradually. Our products can be divided into four major categories, namely (i) household and auto care products, (ii) air-fresheners, (iii) personal care products, and (iv) insecticides.

Our OBM business offers products under our own brand names of "Green Island", "Ludao" ("綠島"), "JIERJIA" ("吉爾佳") and "EAGLEIN KING" ("鷹王"), mainly through a network of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC. Our Group also timely launched the brand "GINVIK" through our subordinate company Zhejiang Sinopharm Junyue Aerosol Co., Ltd*（浙江國藥景岳氣霧劑有限公司）which included e-commerce as a sale channel.

We also continue to explore the wholesales business to sell personal care products and production related materials in the PRC during the Reporting Period.

During the Reporting Period, the Group remained steadfast in upholding its philosophy of "innovative, green and harmonious" development, and further strengthened partnerships with strategic customers. While consolidating our existing sales channels, we actively explored new distribution networks, expanded domestic market presence, and intensified research and development efforts for high value-added products to enhance the Group's pricing power. Investments in e-commerce operations were also scaled up, resulting in broader online sales coverage. In 2024, the Group's CMS business achieved an increase of approximately 36.8% while the OBM business recorded a decrease of approximately 65.8% as a result of adjustments to sales channels.

Regarding the Group's investment in clean energy and heating business introduced in 2017, its contribution to the Group has fallen short of expectations. The Board and the management of the Group will evaluate the strategic alignment of retaining this investment with the Group's future development objectives and work out the best solution in a timely manner, while actively exploring other potential investment opportunities in the market to bolster the Group's competitiveness and synergies.

For the Reporting Period, the revenue and net profit of the Group were approximately RMB906.8 million and RMB51.3 million respectively, representing an increase of approximately 28.5% and 17.7% respectively over 2023. Basic earnings per share was approximately RMB10 cents (2023: approximately RMB9 cents).

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Management Discussion and Analysis

The Group's total comprehensive income for the year attributable to the owners of the Company was approximately RMB37.8 million for the Reporting Period, compared to that of approximately RMB39.1 million for the prior year. The decrease was primarily driven by other comprehensive expenses of approximately RMB13.5 million arising from currency translation differences (2023: approximately RMB4.5 million), partially offset by an increase in profit for the Reporting Period to approximately RMB51.3 million (2023: approximately RMB43.6 million).

Acquisition of land use rights in the PRC

On 19 March 2024, an indirect subsidiary of the Company successfully bid for the land use rights of a piece of land located at Sanmen County Binhai Science and Technology City*（三門縣濱海科技城）in the PRC with an estimated total area of 126,981 square meters from the vendor at the consideration of RMB34,230,000. Subsequently on 25 March 2024, the indirect subsidiary of the Company and the vendor entered into a state-owned construction land use right transfer contract*（國有建設用地使用權出讓合同）. The land was delivered to the Group on 9 May 2024.

For details of the acquisition arrangement, please refer to the announcement of the Company dated 28 February 2025.

FINANCIAL REVIEW

Revenue

CMS

For the Reporting Period, the revenue for the Group's CMS business was approximately RMB575.4 million (2023: approximately RMB420.6 million) representing an increase of approximately 36.8% as compared with last year.

During the Reporting Period, adhering to the philosophy of "innovative, green and harmonious" development, the Group continued to strengthen the cooperation relationship with strategic customers, more actively expanded the domestic market and vigorously developed high value-added products to enhance the pricing power of the Group's products and proactively explore more international markets. In 2024, the Group's CMS business achieved a significant growth as compared with last year.

OBM

The revenue for OBM business of the Group for the Reporting Period was approximately RMB25.7 million (2023: approximately RMB75.2 million), representing a decrease of approximately 65.8% as compared with last year.

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Management Discussion and Analysis

In 2024, the Group adjusted the sales channels for the OBM business. It optimized and adjusted sales activities under the models of old wholesalers and retailers to better adapt to the market. The OBM business entered the temporary adaptation period and recorded certain decrease as compared with last year.

Wholesale business

During the Reporting Period, the Group continued the wholesale business of personal care products and production-related materials in the PRC. Through the industry experience and market network of the individual care products of the Group in the PRC, the Group expanded its business sources and increased its revenue. Revenue from wholesale business in 2024 was approximately RMB305.7 million (2023: approximately RMB209.9 million) representing an increase of approximately 45.6% as compared with last year.

Cost of sales

Cost of sales of the Group for the Reporting Period was approximately RMB765.0 million (2023: approximately RMB572.6 million), representing an increase of approximately 33.6% when compared to the last year.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately RMB141.8 million (2023: approximately RMB133.1 million), representing an increase of approximately 6.5% as compared to that of the prior year. The gross profit margin was approximately 15.6% (2023: approximately 18.9%), such decrease of approximately 3.3% was primarily due to continuous inflation of product raw material price, the weakening of the US dollar against the Renminbi and also diluted by the slight gross profit margin ratio from the wholesales business.

Net profit

The Group's net profit for the Reporting Period was approximately RMB51.3 million (2023: approximately RMB43.6 million), representing an increase of approximately 17.7% when compared to the prior year. The net profit margin of the Group decreased from approximately 6.2% in 2023 to approximately 5.7% in 2024. Such result was primarily due to reduction in gross profit margin ratio during the Reporting Period.

Other comprehensive expenses for the year

The Group's other comprehensive expenses for the Reporting Period was approximately RMB13.5 million (2023: other comprehensive expenses approximately RMB4.5 million), representing an increase of approximately 200.0% when compared to the prior year. The increase was mainly due to the effect of the currency translation differences.

Expenses

Selling expenses

Selling expenses mainly consist of staff salaries, allowance and bonus, entertainment expenses, transportation and travelling expenses, advertising expenses and exhibition expenses. For the Reporting Period, selling expenses was approximately RMB21.3 million (2023: approximately RMB27.8 million), representing a decrease of approximately 23.4% as compared to that of the prior year. The decrease was primarily due to the decrease in transportation and travelling expenses during the Reporting Period.

Administrative and other operating expenses

Administrative and other operating expenses consist of staff salaries and benefit expenses, depreciation and amortisation, transportation and travelling expenses, office expenses, research and development costs, other tax expenses and entertainment expenses. For the Reporting Period, administrative and other operating expenses was approximately RMB65.9 million (2023: approximately RMB58.3 million), representing an increase of approximately 13.0% as compared to that of the prior year. The increase was primarily due to the increase in staff salaries and benefit expenses and research and development costs.

Finance costs – net

For the Reporting Period, the Group recorded net finance costs of approximately RMB5.5 million (2023: net finance costs approximately RMB10.6 million), representing a decrease of approximately RMB5.1 million as compared to that of the prior year. The decrease was primarily due to certain high interest rate loans being replaced by lower interest rate loans and higher amounts of interest expenses being capitalised in construction-in-progress as compared to that of the prior year.

Income tax expense

The income tax expense of the Group for the Reporting Period was approximately RMB7.6 million, representing an increase of approximately RMB2.7 million as compared with approximately RMB4.9 million in 2023. Effective income tax rate for the current period was approximately 12.8%, which was higher as compared with approximately 10.2% over 2023. The higher effective income tax rate was primarily due to the effect of different tax rates of the subsidiaries for tax purpose.

Management Discussion and Analysis

HIGHLIGHT OF STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

The Group's property, plant and equipment was approximately RMB801.0 million as at 31 December 2024 compared to approximately RMB635.5 million as at 31 December 2023. Such increase was mainly due to the addition of property, plant and equipment of approximately RMB155.0 million combined with the depreciation provided of approximately RMB10.3 million during the year ended 31 December 2024. Details and breakdown of the property, plant and equipment were set out in note 15 to the consolidated financial statements. The capital expenditures were financed by the internal resources and bank borrowings of the Group.

Prepayments for property, plant and equipment

As at 31 December 2024, the Group's prepayments for construction in progress and plant and equipment was approximately RMB80.1 million (2023: approximately RMB134.9 million). The decrease was due to certain advances made under construction contracts and purchases contracts related to development of production plants in the PRC in previous years were transferred to property, plant and equipment during the Reporting Period.

Inventories

As at 31 December 2024, the inventories increased by approximately 18.5% to approximately RMB57.6 million (2023: approximately RMB48.6 million). This was mainly due to the Group increased production capacity, resulting in an increase in finished goods at the end of the period.

Trade receivables

As at 31 December 2024, trade receivables of approximately RMB90.1 million were past due, representing an increase of approximately 24.4% as compared to the amount of approximately RMB72.4 million as at 31 December 2023. The amount of the impairment provision was approximately RMB14.2 million as at 31 December 2024 (2023: approximately RMB8.9 million).

FINAL DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31 December 2024 (2023: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the total assets of the Group amounted to approximately RMB1,694.8 million (2023: approximately RMB1,389.0 million), and net current liabilities of approximately RMB266.4 million (2023: net current liabilities: approximately RMB149.5 million). The gearing ratio (based on the total debt over the total equity) of the Group was approximately 176%, which was lower than that of approximately 191% over 2023. The decrease was primarily due to the increase of equity during the year.

BORROWINGS AND THE PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2024, notes payable of approximately RMB149.2 million (2023: approximately RMB77.8 million) were secured by pledge bank deposits with an aggregate carrying amount of approximately RMB70.0 million (2023: approximately RMB45.6 million) and guaranteed by a director of the Group and a close family member of director of the Group. Buildings, construction in progress, land use rights and pledged bank deposits with an aggregate carrying amount of approximately RMB735.2 million (2023: approximately RMB606.2 million) were pledged to secure the Group's bank borrowings which were guaranteed by a director of the Group and a close family member of directors of the Group. Save as disclosed herein, there was no other charge on the Group's assets.

As at 31 December 2024, bank and other borrowings of the Group amounted to approximately RMB358.5 million (2023: approximately RMB310.9 million) with full are repayable on demand or due for repayment within the next twelve months from the end of the Reporting Period.

CAPITAL STRUCTURE

During the Reporting Period, there was no change in the Company's share capital.

FINANCING

The Board considers that the existing financial resources together with funds generated from business operations will be sufficient to meet future expansion plans and the Group believes that it will, if necessary, be capable of obtaining additional financing with favourable terms.

CONTRACTUAL OBLIGATIONS

As at 31 December 2024, the Group had capital commitments of approximately RMB263.7 million in respect of property, plant and equipment (2023: approximately RMB264.7 million). The Group had not rented out the investment property since the end of lease rental during the year ended 31 December 2023. As at 31 December 2024, the Group did not have any future aggregate minimum lease rental receivables (2023: Nil).

Management Discussion and Analysis

CONTINGENT LIABILITIES

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

EXCHANGE RATE EXPOSURE

During the Reporting Period, the Group mainly operated in the PRC with most transactions settled in RMB. Although the Group may be exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB, the majority of our assets and liabilities were denominated in RMB. We currently do not have any foreign exchange contracts because hedging cost is relatively high. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 31 December 2024, the Group had employed a total of 486 employees (2023: 423). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The total staff costs (including fees, salaries and other allowance for both Directors and other staff) for the Reporting Period were approximately RMB55.0 million (2023: approximately RMB43.8 million). The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the Reporting Period. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). The Group will review the remuneration policy and related packages on a regular basis.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

OTHER INFORMATION

Update on Profit Guarantee in respect of the acquisition of 25% Equity Interest of EC Group (as defined below)

Reference is made to the announcements of the Company dated 29 November 2017 and 5 December 2017 in relation to, amongst other things, the acquisition of 25% equity interest in Ever Clever Group Limited (the "Ever Clever"), together with its subsidiaries (the "EC Group"). Further reference is also made to the announcements of the Company in relation to the update on the profit guarantee of such acquisition dated 23 August 2018, 4 September 2018, 25 October 2019, 17 January 2020, 20 August 2020, 16 September 2020 and 2 November 2020.

The Company has made attempts to communicate and enquire with the relevant individuals from Perfect Century Group Limited (the "EC Vendor") and Huailai Hengji Heat Supply Limited Company*（懷來縣恒吉熱力有限公司）(the "HGRL") to request for the audited financial statements of HGRL in accordance with the sale and purchase agreement dated 29 November 2017 (the "EC Agreement") on several occasions from time to time in 2019 but such attempts did not come to any fruitful results. There has been no material development since the publication of the announcement of the Company dated 17 January 2020.

As HGRL, the principal operating group company of the EC Group, is a company established in the PRC, the Board is advised to take a more comprehensive view of the merits of making a claim against the EC Vendor and/or HGRL in each different relevant jurisdiction. Accordingly, the Board would also seek legal advice from the PRC legal advisers to take any legal action against the EC Vendor and/or HGRL directly in the PRC for the provision of the audited financial statements of HGRL for the year ended 31 March 2018, 31 March 2019 and 31 March 2020.

In November 2020, the Group has taken actions to enforce the share charge over 2,500 shares in Ever Clever against the EC Vendor and notified the EC Vendor of the same, subject to completion of the relevant registration and filing requirements. To enforce the EC Agreement, the Company and Prosper One Development Limited (the "Purchaser") acted as plaintiffs to issue a writ of summons in the High Court of Hong Kong against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the EC Agreement, an order requiring the EC Vendor to deliver the audited financial statements of HGRL and a declaration that the Company and the Purchaser are entitled to cancel and avoid the convertible bonds issued by the Company.

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Management Discussion and Analysis

As the Group did not receive any replies from the EC Vendor to the writ of summons, the Company and the Purchaser sought to obtain a default judgment against the EC Vendor. On 21 December 2021, the High Court of Hong Kong gave a judgment in favour of the Company and the Purchaser and ordered the EC Vendor to pay damages totaling RMB2,827,500,000 to the Company and the Purchaser. The High Court also ordered the EC Vendor to deliver the audited financial statements of HGRL and declared that the Company and the Purchaser were entitled to cancel and avoid the convertible bonds issued by the Company to the EC Vendor. As at the date of this annual report, no notice of appeal against the default judgment or application for setting-aside the default judgment has been served on the Company or the Purchaser. The board is in the process to discuss the enforcement possibility with legal team.

FUND RAISING ACTIVITIES

The Company has not conducted any fund raising activity during the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company planned to continue upgrading the existing production line in the future for the sake of improving the automatic level and production quality. In addition, the Group will continue to invest and develop projects for the research and development, manufacture and sale of medical and edible aerosol products through its subsidiaries in the PRC. Also, the Group will continue to expand and explore sales network and platform in order to achieve business growth. The Group will also identify other investment opportunities in the market.

PROSPECTS

Looking ahead to 2025, the Group will continue to strengthen supply chain development, optimize procurement cost controls, and enhance research and development capabilities to ensure efficient and precise development of market-recognized, high value-added products. These efforts aim to improve the pricing power and market prospects of our products while maintaining and expanding our market share, thereby further consolidating and reinforcing our CMS and OBM businesses. With the commencement of production at Zhejiang Sinopharm Jinyue Aerosol Co., Ltd*（浙江國藥景岳氣霧劑有限公司）, the Group will be able to further expand its production capacity and diversify its product portfolio through the development of medicinal, edible aerosol products, and cosmetics. Additionally, the Group will leverage e-commerce subsidiaries to broaden sales channels, laying a solid foundation for sustainable revenue growth in the years ahead. Our Chairman and management will closely monitor global dynamics and adapt strategies proactively to deliver stronger performance.

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Corporate Governance Report

The Board is pleased to present this corporate governance report (the "Corporate Governance Report") for the year ended 31 December 2024.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company and transparency and accountability of all operations. The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable effort to identify and formulate corporate governance practices which are suitable for the Company's needs.

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions set out in the section headed "Part 1 – Mandatory disclosure requirements" and the applicable code provisions set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following:

Chairman and Chief Executive

Pursuant to code provision C.2.1 of the CG Code, it is recommended that, the roles of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Yu Yuerong ("Mr. Yu"), the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role as Mr. Yu has considerable experience and established market reputation in the industry, and the importance of Mr. Yu in the strategic development of the Company. The dual role arrangement provides strong and consistent leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Corporate Governance Report

CORPORATE CULTURE AND STRATEGY

Corporate Culture

The Board and the management of the Group set the tone and shape the corporate culture, which is underpinned by the core values of acting lawfully, ethically and responsibly across all levels of the Group. The Board leads the management in defining the purpose, values and strategic direction of the Group and in fostering a corporate culture that is building a long-term sustainable business models where customers, partners, investors, suppliers and employees can benefit in the shared value of corporate success. The desired culture is developed and reflected consistently in the Group's business operations, workplace policies and practices as well as relationships with the shareholders and other stakeholders of the Company. The Board, together with the management of the Group, create an organizational culture of maintaining and developing an effective corporate governance framework with stringent corporate governance practices and mechanism through workforce engagement, employee retention and training, robust financial reporting, whistleblowing, data privacy and anti-corruption policies, and legal and regulatory compliance. Taking into account the corporate culture in a range of contexts, the Board considers that the Group's culture, purpose, values and strategy are aligned.

Corporate Strategy

In order to achieve the Group's principal objective of enhancing long-term values and interests to the shareholders and other stakeholders of the Company, the Group focuses on achieving sustainable growth in both financial and environmental, social and governance ("ESG") performance. The Group executes disciplined management of revenue and profitability, margin and costs, capital and investment return and other financing activities. The "Chairman's Statement" and the "Management Discussion and Analysis" in this annual report include discussions and analyses of the Group's performance, the basis on which the Board directs to generate the Group's core values in the longer term and delivers the Group's corporate culture, strategy and objectives. The Group is increasingly conscious on ESG and focusing on supporting the global low-carbon and sustainable future transition. Further details on the Group's ESG initiatives and relationships with its key stakeholders are disclosed in the "Environmental, Social and Governance Report" of this annual report.

THE BOARD

The Board provides leadership, guidance and strategic decisions to the Group's activities and oversees its financial performance. Directors are responsible for promoting success of the Company and making decisions in the best interests of the Company. The Board has delegated its powers to the management with regards to the Group's daily management and operations.

Roles and Responsibilities of Directors

The Board, led by the chairman, is collectively responsible for formulating and approving the business strategies of the Company, setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies.

The Company is committed to achieving long term success of the Company and to safeguard the interests of the shareholders of the Company and other stakeholders. To this end, the Board assumes the responsibilities for leadership and control of the Company and oversees the businesses, strategic development, financial performance and corporate governance of the Group.

The executive Directors are responsible for day-to-day management of the Company's operations and conduct meetings with senior management of the Group at which operational issues and financial performance are evaluated.

Board Composition

The Board currently comprises of three executive Directors and three independent non-executive Directors. The list of Directors and their biographies are set out under the section of "Corporate Information" and "Biographies of Directors and Senior Management" on page 2 and page 31 to 33 respectively. The updated list of Directors and their role and function are published on the Company's website "www.ludaocn.com" and on the Stock Exchange's website "www.hkexnews.hk". Save as disclosed in the section of "Biographies of Directors and Senior Management", the Directors have no other relationship (including financial, business, family or other material/relevant relationship(s)) with one another. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

As at 31 December 2024, the Board comprises three independent non-executive Directors which is in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors and representing more than one-third of the board, which is in compliance with Rule 3.10A of the Listing Rules. In addition, at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors of the Company are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business management which is in compliance with Rule 3.10(2) of the Listing Rules. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought to the Board's deliberations and that such views and judgement carry weight in the Board's decision making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements.

Prior to their respective appointment, each of the independent non-executive Directors have submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. As at the date of this annual report, the Company has also received a written confirmation from each independent non-executive Director in respect of their independence. Based on the contents of such confirmation, the Board considers these independent non-executive Directors to be independent under Rule 3.13 of the Listing Rules.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the executive Directors possess extensive experience in aerosol industry in the PRC, whilst the independent non-executive Directors possess professional knowledge and broad experience. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide adequate checks and balances to safeguard the interests of the Company and its shareholders.

Functions and Duties of the Board

The main functions and duties conferred on and performed by the Board include:

(i) Overall management of the business and strategic development;

(ii) Deciding business plans and investment plans;

(iii) Convening general meetings and reporting to the shareholders of the Company;

(iv) Exercising other powers, functions and duties conferred by shareholders in general meetings; and

(v) Determining the policies for corporate governance practices.

The Board is responsible for performing the corporate governance duties as set out in the CG Code. The management is responsible for the daily management and operation of the Company.

Appointment, Re-election and Removal of Directors

The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. The procedures and process of appointment, re-election and removal of Directors are laid out in the Company's Articles of Association (the "Articles"). According to Rule 108(a) of the Articles and the code provision B.2.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting ("AGM"). Pursuant to Rule 112 of the Articles, any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until and submit himself/herself for re-election by shareholders at the first AGM after his/her appointment. Pursuant to the code provision B.2.3 of the CG Code, any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by shareholders at general meeting. All Directors are appointed for a specific term.

In accordance with the Articles, Mr. Wang Xiaobing and Mr. Chan Yin Tsung shall retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM. The Board and the nomination committee of the Company (the "Nomination Committee") recommend their re-appointment.

The Company's circular, published together with this annual report on the Company's website "www.ludaocn.com" and on the Stock Exchange's website "www.hkexnews.hk", contains detailed information of the above two Directors as required by the Listing Rules.

Directors Nomination Procedures

Pursuant to the Directors Nomination Procedures, the Company considers a number of criteria in evaluating and selecting candidates for directorships, including but not limited to (i) character and integrity; (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; (iii) willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments; (iv) the number of existing directorships and other commitments that may demand the attention of the candidate; (v) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; (vi) board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board knowledge and experience that are relevant to the Company's business and corporate strategy; and (vii) other perspectives appropriate to the Company's business.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee will review the Directors Nomination Procedures annually to ensure its continued effectiveness.

Board Independence

The Board has established mechanisms to ensure independent views and inputs are available to the Board. The summary of the mechanisms is set out below:

(i) Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) Independence Assessment

The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

(iii) Compensation

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board Decision Making

Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

A Director (including independent non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

The Board has reviewed the implementation and effectiveness of such mechanisms during the year and considered it was appropriate and effective.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have been appointed for an initial term of three years. Each of the Company's independent non-executive Directors are subject to re-election.

Meetings with the Independent Non-Executive Directors

Pursuant to the code provision C.2.7 of the CG Code that the chairman of the Board should hold meetings with the independent non-executive directors at least annually without the presence of other directors. During the year ended 31 December 2024, one meeting was held between the chairman of the Board and the independent non-executive Directors, with each of the independent non-executive Directors present. The chairman of the Board will continue to make arrangements for holding at least one meeting with the independent non-executive Directors for every subsequent year.

DIRECTORS' TRAINING

All newly appointed board members are required to receive an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements. All Directors should participate in continuous professional development regarding the Listing Rules and other applicable regulatory requirements on an ongoing basis to develop and refresh their knowledge and skills in compliance with the CG Code. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2024, the Directors including Mr. Yu, Mr. Wang Xiaobing, Ms. Pan Yili, Mr. Chan Yin Tsung, Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean have confirmed that they have participated in continuous professional development by attending training courses, meetings and/or reading reference materials on the topics related to updates on corporate governance and regulations and updates of accounting standards.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibility for performing corporate governance duties to an independent compliance adviser. The compliance adviser is responsible for assisting the Board in discharging its corporate governance duties as follows: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board are based on meritocracy, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the manufacturing and aerosol industry, experience in international trade, finance and corporate management, to professional qualifications in the business management accounting fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

The Board currently has two female Directors and as such has achieved gender diversity in respect of the Board. The Board targets to maintain at least the current level of the female representation, with the ultimate goal of achieving gender parity. The Nomination Committee will continue to use its best efforts to identify and recommend suitable candidates to act as Directors to the Board for its consideration.

The Company's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 December 2024. As of the date of this annual report, 67% of Directors and 52% of total workforce (including senior management) were male. The Company will continue to take steps to promote diversity, including gender diversity, at workforce levels.

The Board has reviewed the implementation and effectiveness of the board diversity policy during the year and considered it was appropriate and effective.

Board Meetings

Appropriate notices were given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are normally provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

The company secretary of the Company (the "Company Secretary") is responsible for keeping minutes of all Board meeting and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable period of time after each meeting and the final version is opened for all Directors' inspection.

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

Pursuant to the code provision C.5.1 of the CG Code, it is recommended that the Board should meet regularly and Board meetings should be held at least four times a year. During the Reporting Period, there were four Board meetings held.

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee of the Company (the "Audit Committee"), the remuneration committee of the Company (the "Remuneration Committee") and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company have been established with defined written terms of reference which are posted on the Company's website "www.ludaocn.com" and on the Stock Exchange's website "www.hkexnews.hk". All the Board committees should report to the Board on their decisions or recommendations made. All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules.

The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of the external independent auditor, and any questions of its resignation or dismissal. It is also responsible for reviewing Company's financial information and overseeing the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee currently comprises of three independent non-executive Directors, namely Mr. Chan Yin Tsung (being the chairman of the Audit Committee), Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

The terms of reference setting out the Audit Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee has held two meetings to review the interim, annual financial results and reports, financial reporting and the report on the Company's internal control and risk management review and process.

The Audit Committee has reviewed together with the management and the Group's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the Reporting Period and this annual report.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 16 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the remuneration package of the Directors and senior management. The remuneration policy for the Directors and senior management was based on their experience, level, responsibility and general market conditions.

The terms of reference setting out the Remuneration Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises of four members, being three independent non-executive Directors, namely, Mr. Chan Yin Tsung (being the chairman of the Remuneration Committee), Ms. Yau Kit Kuen Jean, Mr. Ruan Lianfa, and one executive Director, Mr. Yu.

During the Reporting Period, there were two meetings held to review and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and the Director's fee of independent non-executive Directors.

Pursuant to the CG Code, the remuneration of the members of the senior management (other than Directors) whose particulars are contained in the section headed "Biographies of Directors and Senior Management" in this annual report for the year ended 31 December 2024 by band is set out below:

Remuneration Bands	Number of Senior Management
Nil to HK$1,000,000	2

Remuneration Policy

The remuneration of Directors and senior management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 16 September 2013 with written terms of reference in compliance with the CG Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment or re-appointment of Directors and the senior management as well as the succession planning for Directors, ongoing review the structure, size, composition and diversity of the Board on a regular basis and monitor the training and continuous professional development of Directors and senior management.

The terms of reference setting out the Nomination Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises of four members, being three independent non-executive Directors, namely, Ms. Yau Kit Kuen Jean (being the chairlady of the Nomination Committee), Mr. Chan Yin Tsung, Mr. Ruan Lianfa and one executive Director, Mr. Yu.

During the Reporting Period, the Nomination Committee has held two meetings to review the structure, size, composition and diversity of the Board, review the independence of the independent non-executive Directors, consider the qualifications of the retiring Directors standing for election at the 2024 annual general meeting of the Company, review the board diversity policy of the Company and review the Directors Nomination Procedures.

Corporate Governance Report

DIRECTORS' ATTENDANCE

Set out below are details of the attendance record of each Director at the Board, committee and general meeting of the Company held during the Reporting Period:

	Meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Yu Yuerong *(Note 1)*	4/4	N/A	2/2	2/2	1/1
Mr. Wang Xiaobing *(Note 2)*	3/4	N/A	N/A	N/A	1/1
Ms. Pan Yili	3/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Chan Yin Tsung *(Note 3)*	2/4	2/2	2/2	2/2	1/1
Mr. Ruan Lianfa	4/4	2/2	2/2	2/2	1/1
Ms. Yau Kit Kuen Jean *(Note 4)*	4/4	2/2	2/2	2/2	1/1

Notes:

1. Chairman of the Company
2. Deputy Chairman of the Company
3. Chairman of the Audit Committee and the Remuneration Committee
4. Chairlady of the Nomination Committee

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring the procedures are followed and the activities of the Board are efficiently and effectively conducted. The Company Secretary also ensures that the Board is fully abreast of the relevant legislative, regulatory and corporate governance developments relating to the Group.

The Company Secretary reports to the chairman and chief executive officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules. The position of the Company Secretary is held by Mr. Ho Ka Wai ("Mr. Ho"). The biographical details of Mr. Ho are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

During the Reporting Period, Mr. Ho took not less than 15 hours of relevant professional training to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing this annual report and the financial statements of the Company for the year ended 31 December 2024.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view and that relevant statutory requirements and applicable accounting standards are complied with.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going-concern.

EXTERNAL INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the fee payable to WM CPA Limited in respect of its statutory audit services and non-audit services of the Group provided to the Company were approximately RMB1 million and nil respectively.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by WM CPA Limited, who was appointed as the Company's auditor on 29 November 2023 to fill the casual vacancy arising from the resignation of BDO Limited on 29 November 2023. Save as disclosed above, there has been no other change of auditor for the three years immediately preceding this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems of the Group, the systems include a defined management structure with limited authority and were designed to achieve business objectives, safeguarding assets against unauthorised use or disposition, ensuring the maintenance of reliable financial and accounting records and compliance of applicable laws, rules and regulations and key risks that may impact the Group performance.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The objectives of the risk management and internal control systems of the Group are to identify and manage the risk of the Group within acceptable safety levels and to achieve the objectives of the Group.

The Group's risk management and internal control 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. We have adopted a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Group's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of key internal control procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine risk rating (H = high risk, M = medium risk, L = low risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of attention of the management and the effort of risk treatment required.

PROCESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group adopted three levels of risk management process to identify, analyse and evaluate and manage material risks. The first level is to ensure all department heads to understand their roles and responsibilities to identify, analyse and evaluate and monitor the risk associated with the operation and/or transaction they are responsible for. The second level is the management of the Group to oversee the risk management activities of the first level and providing ongoing monitoring to the first level and reporting issue to upper level. The final level is the Audit Committee, with the advices from the management from the second level and opinions and findings from external auditor and performing regular review, to ensure the effectiveness of the Group's risk management and internal control systems.

During the process of risk assessment, each of the risk owners of departments is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration of the effectiveness of the risk response, such as control measures in place to mitigate the risk, the residual risk of each key inherent risk is evaluated again. The risk rating is determined by considering the inherent risk and control risk. The risk register with the key risk responses and key risk ratings is reported to the Board and the Audit Committee.

The Audit Committee conducted regular reviews on the effectiveness of the Group's risk management and internal control systems on behalf of the Board annually during the Reporting Period, which covers all material controls, including financial, operational and compliance controls as well as risk management functions. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems during the year ended 31 December 2024.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent adviser instead of recruiting a team of internal audit staff to perform such annual review function.

The Company engaged a professional firm as an independent advisor to conduct internal control review of the Group for the year ended 31 December 2024. The internal control review report listed out certain findings of the minor weaknesses identified regarding the relevant cycles and procedures with recommendations proposed for the Company to further improve its internal control system. No significant deficiency was identified during the review and the result from the internal control review report has been reported to the Board and the Audit Committee and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. The Board and the Audit Committee considered the risk management and internal control systems are effective and adequate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has formulated policies on handing and dissemination of inside information and regularly reminded the Directors and employees of the Group to comply with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix C3 of the Listing Rules in relation to dealings in securities of the Company. Such policies are subject to review on a regular basis.

To be certain that all the staff members in the Group are aware of the inside information handling, the Group's disclosure policy sets out guidance and procedures to ensure that the inside information of the Group is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Group also has reasonable measures and procedures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements. Other procedures including sending blackout period and securities dealing restrictions notification to the relevant Directors and employees timely, disseminating information to specified persons on a need-to-know basis have also been implemented by the Group against possible mishandling of inside information within the Group.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding Director's securities transactions. The Company has made specific enquiry with all Directors and the Directors confirmed that they had complied with the Model Code during the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the environmental, social and governance practices adopted by the Group is set out in the sections headed "Environmental, Social and Governance Report" ("ESG Report") of this annual report.

WHISTLE-BLOWING POLICY AND ANTI-CORRUPTION POLICY

Policies regarding the whistle-blowing, anti-corruption and anti-bribery are established. Detailed information on the policies is set out in the ESG report of this annual report from page 66 to page 67.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there was no changes in the Company's constitutional documents.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations in order to ensure all shareholders' equal access to information. In addition, during the Reporting Period, the Company has proactively taken the following measures to ensure effective shareholders' communication and transparency:

- maintained frequent contacts with shareholders and investors through various channels such as meetings, telephone and emails;

- regularly updated the Company's news and developments through the investor relations section of the Company's website;

Through the above measures, the Company endeavours to communicate with the investment community and provide them with the latest development of the Group and the PRC aerosol industry.

Shareholders may send their enquiries and concerns in writing to the Board or the Company Secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the shareholders will have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the shareholders through the Company's website, corporate email, financial reports, AGMs and other extraordinary general meetings that may be convened as well as all the published disclosures submitted to the Stock Exchange.

The Company has reviewed the implementation and effectiveness of the shareholder communication policy during the year and conclude that it is effective.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding on the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 64 of the Articles by sending a written requisition to the Board or the Company Secretary. The objective of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 113 of the Articles, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and shall end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions proposed at shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ludaocn.com) respectively immediately after the relevant general meetings.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yu Yuerong（虞岳榮）, aged 57, was appointed as the chairman and executive Director of the Company on 16 September 2013. He is also a member of the Remuneration Committee and Nomination Committee. Mr. Yu is the founder of the Group and is primarily responsible for the overall strategic planning and corporate policy making for the operational direction of the Group. Mr. Yu obtained a bachelor's degree in Business Administration from the Open University of China*（中央廣播電視大學）via distance learning in April 2000, and graduated from a Finance and Commerce Programme for Senior Director*（工商管理高級總裁研修班）conducted by Continuing Education of Zhejiang University*（浙江大學繼續教育學院）in 2008. Mr. Yu also obtained a master degree in business administration in Fudan University in June 2022. Mr. Yu has over 28 years of extensive experience in PRC's factory operation and corporate management. Prior to joining the Group, Mr. Yu has worked in the capacity of manager and chairman respectively for Taizhou Yizhou Industrial Company*（台州一洲工業公司）from June 1992 to February 1998 and Zhejiang Huangyan Yizhou Group Limited*（浙江黃岩一洲集團有限公司）from March 1998 to August 2003, both of which are engaged in the production of daily-use chemical products, and Mr. Yu was responsible for managing the overall manufacturing operation of the factories.

Mr. Yu is the sole director of Ludao China Investments Holdings Limited, a controlling shareholder of the Group holding approximately 50.96% of the total issued share capital of the Company.

Mr. Wang Xiaobing（王小兵）, aged 50, was appointed as an executive Director of the Company on 16 May 2014 and also appointed as deputy chairman of the Company on 30 September 2022. Mr. Wang joined the Group in 2010 as the head of research and development department and was primarily responsible for overseeing the research and development centre and monitoring the quality control of the Group. He is currently the general manager of Zhejiang Ludao Technology Co., Ltd. ("Ludao PRC") and primarily responsible for the overall operation management. Prior to joining the Group, Mr. Wang had worked for a subsidiary of China Flavors and Fragrances Company Limited (now known as China Boton Group Company Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 3318) in various capacity including engineer, technical manager and general supervisor of the department for daily-use fragrance and flavors. He has professional and managerial experiences in research and development on daily chemical products and technical communication and services. Mr. Wang studied applied chemistry and graduated from the Nanchang Vocational Technology Normal University*（南昌職業技術師範學院）in July 1998.

Ms. Pan Yili（潘伊莉）, aged 49, was appointed as an executive Director of the Company on 16 September 2013. Ms. Pan has over 18 years of corporate marketing and management experience. Ms. Pan joined the Group in 2003 and is primarily responsible for formulating overall business strategies and market development of the Group. She obtained a graduate certificate in Chemical Engineering in June 1993 from Vocational School of Huangyan* （黃岩市職業技術學校）. Ms. Pan received a bachelor's degree in Business Administration from the Open University of China* （中央廣播電視大學）via distance learning in January 2012. Prior to joining the Group, Ms. Pan has worked in the capacity of strategic planner and financial capital operations officer for Zhejiang Huangyan Yizhou Group Limited* （浙江黃岩一洲集團有限公司） from January 1999 to February 2003, which is engaged in the production of daily-use chemical products.

* *For translation and identification purposes only*

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung（陳彥璁）, aged 45, serves as an independent non-executive Director, the chairman of the audit committee and remuneration committee and a member of nomination committee of the Company since November 2016. Mr. Chan obtained a bachelor's degree in commerce from the University of British Columbia in November 2001, obtained a master's degree in financial analysis from the Hong Kong University of Science and Technology in November 2011, and obtained an executive master's degree in business administration from the Peking University in January 2022. Mr. Chan is a Certified Public Accountant of the American Institute of Certified Public Accountants.

Mr. Chan has over 22 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modelling and business valuation. From November 2003 to July 2010, he held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan served the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011, and served the private equity department of the same company as a senior manager from June 2011 to July 2012.

Mr. Chan serves as an independent non-executive director and the chairman of the audit committee of Beijing Jingneng Clean Energy Co., Limited (a company listed on the Main Board of the Stock Exchange, stock code: 579) from December 2016 to August 2023, and a member of the legal and compliance management committee of the same company from January 2021 to August 2023. Mr. Chan serves as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Bonny International Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1906) since July 2020.

Mr. Ruan Lianfa（阮連法）, aged 71, was appointed as an independent non-executive Director of the Company on 16 September 2013. He is also a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Ruan holds both bachelor degree in Civil Engineering and a master degree in Management from Zhejiang University*（浙江大學）in February 1980 and April 1996 respectively. Since his graduation in 1980, Mr. Ruan has served as a lecturer and a researcher in Zhejiang University*（浙江大學）, head of the Civil Engineering Management Research Institute*（土木工程管理研究所所長）of Zhejiang University*（浙江大學）and the dean of Continuing Education of Zhejiang University*（浙江大學繼續教育學院院長）.

Ms. Yau Kit Kuen Jean（丘潔娟）, aged 56, was appointed as an independent non-executive Director of the Company on 7 July 2017. She is also the chairlady of the Nomination Committee and a member of Audit Committee and Remuneration Committee. Ms. Yau holds an honorary bachelor degree of specialized studies major (finance management) from the Ohio University, the United States. She is a licensed person registered with the Securities and Future Commission of Hong Kong for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities. She also holds certificates from the Stock Exchange for stock brokerage, automatic trading system, options trading officer and representative, and options clearing officer.

* *For translation and identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Yau has over 23 years of experience in trading and sales of securities and trading of futures contracts. From 1999 to 2002, She was a securities trading manager of Citibank. From 2003 to 2012, Ms. Yau held various positions such as an associate director of the securities sales department of CITIC Securities Company Limited and a vice president of the securities sales department of CITIC Securities (HK) Company Limited. In January 2013, Ms. Yau joined BOCOM International Securities Limited as a vice president of the equity business department.

SENIOR MANAGEMENT

Mr. Ho Ka Wai（何嘉偉）, aged 42, was appointed as the Company Secretary and authorised representative of the Company on 13 January 2017. Mr. Ho holds a bachelor's degree of Bachelor of Business Administration from the Lingnan University. He is a member of the Hong Kong Institute of Certified Public Accountants and member of the Hong Kong Chartered Governance Institute. Mr. Ho has over 18 years of experience in accounting and auditing.

Mr. Wang Yongfei（王永飛）, aged 49, is the chief production officer of Ludao PRC and joined the Group in 2003. Mr. Wang is primarily responsible for overseeing the production operation of the Group. Mr. Wang has over 28 years of extensive experience in factory production management. Prior to joining the Group, Mr. Wang was a production supervisor of a manufacturer from 1995 to 2001 in the PRC that is engaged in the production of daily-use chemical products and Mr. Wang was responsible for the management of the manufacturing operation.

Environmental, Social and Governance Report

ABOUT THIS REPORT

China Ludao Technology Company Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present this Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with "comply or explain" provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – (i) research and development, manufacture and sale of aerosol and related products ("aerosol business") in the People's Republic of China ("PRC"); (ii) clean energy business of collection and utilisation of sewage source thermal energy ("clean energy business") in the PRC; and (iii) investment holding business in Hong Kong. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the Reporting Period from 1 January 2024 to 31 December 2024.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by sending us your recommendation to our office at Unit 2003, 20/F., Dah Sing Financial Centre, 248 Queen's Road East, Hong Kong.

Environmental, Social and Governance Report

INTRODUCTION

As one of the few top leading manufacturers of the aerosol products in the PRC, our Group is principally engaged in the research and development, manufacture and sale of aerosol products for household and auto care, air fresheners, personal care product and insecticides and wholesales of personal care products and production related materials. We sell our products on contract manufacturing service ("CMS") basis to overseas markets and on original brand manufacturing ("OBM") basis in the PRC market. Meanwhile, the Group also expands the market in Mainland China on CMS basis gradually. Our products can be divided into four major categories, namely (i) household and auto care products, (ii) air-fresheners, (iii) personal care products, and (iv) insecticides.

The Group also continue to explore the wholesales business to sell personal care and production related materials in the PRC during the Reporting Period.

The Company is aware of the importance of having a reciprocal relationship with the society. The Board and management of the Company are committed to establishing good standards in environmental, social and corporate governance practices. Apart from pursuing corporate profits, the Group also takes into consideration the sustainable development of the environment, the society and corporate governance in all aspects of the business operation of the Group, so that those standards could be sustained.

In July 2017, the Company has acquired a group company which engages in clean energy business of collection and utilisation of sewage source thermal energy in the PRC, laying a foundation for entering and exploring the huge market of new energy utilisation. The Group hopes to bring long-term sustainability and environmental protection by utilising this new green energy to provide both heating and cooling services to the public to replace conventional energy.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

Environmental, Social and Governance Report

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels	Measures
Government	– Comply with applicable laws and regulations – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual and interim reports – Website	– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation for example, accepted certain 1-2 on-site inspections throughout the year), and actively undertook social responsibilities
Shareholders and Investors	– Low risk – Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Annual and interim report, announcements	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars/annual and interim reports – Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing upon necessary – Disclosed company contact details on website and in published reports and ensured all communication channels are available and effective

Stakeholders	Expectations	Engagement channels	Measures
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety	– Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organized employee activities
Customers	– Safe and high-quality products – Stable relationship – Integrity – Business ethics	– Company website, brochures and annual reports – Email – Customer service hotline	– Established committee to maintain good communication – Held regular online customer satisfaction survey to understand our customer's satisfaction levels with our products and services
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process	– Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors
Financial institution	– Compliance with applicable laws and regulations – Information disclosure	– Consulting – Information disclosure – Reports	– Provided annual and interim reports
Public and Communities	– Social responsibility – Open information	– Community engagement – Information disclosure	– Engaged in charity and volunteering – Disclosed information timely

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix C2 of the Listing Rules) and the guidelines of GRI Guidelines.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix C2 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG area identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which is important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2024, those important ESG areas to the Group were discussed in this Report.

Environmental, Social and Governance Report

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

The board of directors ("Board") has a primary role in overseeing the management of the Group's sustainability issues. During the year, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

ESG Working Group

To demonstrate our commitment to transparency and accountability, our Group has established an ESG Working Group, which has clear terms of reference that set out the powers delegated to it by the Board. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the year ended 31 December 2024 (the "Reporting Period"), the ESG Working Group consisted of 6 members, including 3 executive directors and 3 independent non-executive directors.

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the Working Group at the meetings, which holds annually. During the Reporting Period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

Environmental, Social and Governance Report

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which should be weighed against the company's ambitions and goals. During the year, our Group set targets on an absolute basis.

A. ENVIRONMENTAL ASPECTS

As one of the world's leading manufacturers specializing in aerosol products, the Group recognizes that it has an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that are used in our daily operations. The Group promotes environmental stewardship throughout our business ecosystem by introducing a number of measures to enhance the environmental protection awareness among its employees, encouraging them to develop environment-friendly working habits and to take action in protecting the precious environment. The Group also pledges to uphold quality environmental management. The Group has continuously improved its environmental management systems, which is certified conforming to the higher level of international standards from ISO14001:2004 to ISO14001:2015. Based on ISO14001:2015, the group has implemented a set of internal policies and procedures for conserving resources, managing the wastes and minimising the pollution.

Throughout the year, the Group fully complied with all of the relevant environmental laws and regulations in the countries and regions, such as the Environmental Protection Law of the People's Republic of China in the PRC and the Air Pollution Control Ordinance (Cap. 311) in Hong Kong. Besides, no concluded cases regarding environmental issues were brought against the Group. As our Group continues to develop, we are committed to continuously improving the environmental sustainability of our business, ensuring that environmental considerations remain one of the top priorities in our daily business operations and that we fulfil our obligations to both the environment and community.

A1. EMISSIONS

As a manufacturer, the Group recognizes that it has ethical duties to reduce emissions. Given that most of our operations is manufacturing based, the Group engages a qualified testing company to conduct regular testing on air pollutants, wastewater and noise emitted or produced to ensure that their emission levels are within the allowable levels as stipulated in the relevant emission standards of the PRC. In the meantime, the Group fully complies with all of the relevant environmental laws and regulations in the countries and regions where we operate such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2015) in the PRC, the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) and the Road Traffic Ordinance (Cap. 374) in Hong Kong. Besides, no concluded cases regarding emissions brought against the issuer or its employees during the year.

Air Pollutants Emission

Air pollutants emission control is vital to both environmental protection and the health of employees. The Group understands that its manufacturing process involves the use of different chemicals which causes various air pollutants emission, including volatile organic compounds (VOCs). The Group strives to improve the air quality. During the year, the Group implemented "Treatment Information to VOCs to control VOCs emission from source and production processes. The Group carries out testing regularly on the VOCs emission level to improve the VOCs management procedure.

The Group also strictly complies with "Ambient Air Quality Standards (GB3095-2012)", "Integrated Emission Standard of Air Pollutants (GB16297-1996)", etc. for the air pollutants emission. The exhaust gas is collected for handling to reduce the pollutants before emission to the atmosphere. Methods to reduce the air pollutants include cyclone dust collector and activated carbon absorption.

The Group's air pollutant emissions are classified into two sources – stationary and mobile. During the Reporting Period, stationary source was our major source of air pollutant emission for manufacture of aerosol and related products. The increase in air pollutant emission in 2024 was mainly attributable to the increase in the consumption of towngas and diesel as the result of increased operating activities and vehicle use. The Group targets to reduce the emission of air pollutants by 3% by 2025.

The air pollutant emission of the Group during the Reporting Period is as follows:

Type of Air Pollutants	Unit	Aerosol business	Clean energy business	Investment holding business	2024 Total	2023 Total
Nitrogen oxides (NO_x)	kg	630.23	0.45	–	**630.68**	505.80
Sulfur dioxide (SO_2)	kg	78.61	0.08	–	**78.69**	63.04
Particulate matter (PM)	kg	16.02	0.08	–	**16.10**	12.91

Greenhouse Gas ("GHG") Emission

GHG is considered as one of the major contributors to the climate change and global warming. The Group recognises that climate change is gradually concerned by the community as it affects our daily life and poses a risk to its business. Hence it committed to mitigating the effects of climate change and to protecting the health of employees.

Giving the majority of the GHG emission of the Group comes from energy consumption, the Group tackles the GHG emission by implemented "Greenhouse Gas Emission Management System" to monitor and control the GHG emission. Policies and procedures (as mentioned in the section "A2. Use of Resources") to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint.

In 2017, the Group activity acquired a group company which was engaged in clean energy business of collection and utilisation of sewage source thermal energy in the PRC. This new clean energy can replace the use of conventional energy, such as burning of coal, to supply heat to the building. Regarding GHG emission of the Group, scope 1 direct emissions mainly consisted of combustion of fuels in stationary sources, combustion of fuels in mobile sources, and assimilation of carbon dioxides into biomass through planting of trees; and scope 2 indirect emissions mainly consisted of electricity purchased from power companies. During the Reporting Period, purchased was our major source of GHG emission. The increase in GHG emission in 2024 was mainly attributable to the increase in the consumption of purchased electricity and petrol as the result of increased operating activities. The Group targets to reduce the emission of greenhouse gas by 5% by 2025.

The GHG emission of the Group during the Reporting Period is as follows:

GHG Emission[1]	Unit	Aerosol business	Clean energy business	Investment holding business	2024 Total	`2023 Total
Scope 1[2]	tonnes of CO_2-e	145.60	2.64	–	**148.24**	144.45
Scope 2[3]	tonnes of CO_2-e	2,758.31	2,385.99	3.52	**5,147.82**	6,821.32
Total GHG emission	tonnes of CO_2-e	2,903.91	2,388.63	3.52	**5,296.06**	6,965.77
GHG emission intensity	Aerosol: tonnes of CO_2-e/ tonnes of production	0.061			**0.061**	0.049
	Clean energy: tonnes of CO_2-e/m^2		0.07		**0.07**	0.008
	Investment: tonnes of CO_2-e/m^2			0.004	**0.004**	0.004

Hazardous and Non-hazardous Wastes

The Group recognizes the importance of waste reduction. Waste management measures have been introduced and implemented to minimize the amount of waste generated and the impact on the environment. The Group's "Solid Wastes Management System" provides guideline on classification, collection, storage and disposal of different wastes. Wastes are classified into hazardous waste, production waste and general waste by the Group. Each type of waste has specific storage location and collection procedures.

The hazardous wastes produced during our production process are separately stored with label and handled in accordance with the relevant PRC laws and regulations, for example, National Hazardous Waste Inventory (2008) during our production process. Besides, the Group has commissioned a qualified waste collector to handle and collect the hazardous waste produced in the aerosol product manufacturing process so as to minimize the impact on the environment.

For non-hazardous waste, the waste is mainly generated from daily office operation. The Group takes initiative to reduce waste by formulating effective measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Prevention and Control of environmental Pollution by Solid Waste in the PRC and the Waste Disposal Ordinance (Cap. 354) in Hong Kong.

For office, the Group promotes the idea of green office by introducing more paperless solutions in its daily operations to reduce the volume of paper and printed materials used. The Group introduces knowledge on environmental protection to all employees and encourages them to consider environmental-friendly printing such as double-sided printing and copying. The Group also encourages employees to bring their own cups to the meeting to minimize the use of paper and paper cups. The daily operation of clean energy business and investment holding business for non-hazardous waste generation is not material for disclosure as the non-hazardous waste generated is insignificant. During the Reporting Period, the increase in non-hazardous wastes amount in 2024 was mainly attributable to the increased operating activities during the year. The Group has set comprehensive reduction target by 5% reduction in non-hazardous waste generation by 2025.

The wastes generated by the Group during the Reporting Period are as follows:

Wastes disposal	Unit	Aerosol business	Clean energy business	Investment holding business	2024 Total	2023 Total
Hazardous waste	tonnes	11.02	–	–	**11.02**	10.19
Hazardous waste intensity	tonnes/tonnes of production	0.00023	–	–	**0.00023**	0.00023
Non-hazardous waste	tonnes	155.26	–	–	**155.26**	146.22
Non-hazardous waste intensity	tonnes/tonnes of production	0.0032	–	–	**0.0032**	0.0034

Municipal Solid Waste Charging

Implementation of Municipal Solid Waste (MSW) Charging by the Government will be rolled out on 1 August 2024. Under the MSW Charging policy, it is expected that the Group will be subject to the "polluter-pays" principle, and would incur expenses relating to MSW. All waste disposed of by residential and non-residential premises in Hong Kong will be subject to charging based on its quantity, so as to drive behavioural changes in waste generation and hence reduce overall waste disposal.

To enhance waste reduction and recycling, help reduce carbon emissions and avoid penalties for the Group, we will provide staff training to assist frontline staff in getting ready and set up feedback channels for staff. Also, the Group will arrange regular reviews, perform inspections, report on non-compliant cases and continuous publicity and education in order to cater for the following changes.

Wastewater

The Group has obtained pollutant emission permit for wastewater to ensure all wastewater generated during our production process can be safely handled according to the national safety standards before external discharge. There is a wastewater treatment facility in the Group's aerosol business. The wastewater generated during the production process needs to be treated before discharging to ensure it complies with the Integrated Wastewater Discharge Standard (GB8978-1996) in the PRC. During the Reporting Period, around 12,355.84 m^3 (2023: 10,543.05 m^3) of wastewater was treated and discharged, representing an increase of approximately 17.2% (2023: an increase in 20.5%) as compared with that of in previous period. Wastewater is strictly forbidden to be mixed with rainwater. They are collected by two separate systems to prevent pollution to ground water.

A2. USE OF RESOURCES

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group has an in-depth understanding of the importance of safeguarding sustainable development of the environment and this to attach importance to efficient utilization of resources by introducing various measures in daily business operations. It understands that staff participation is the key to achieve such goals. The Group strives to build up a working environment that emphasizes the "Green office" and "Low Carbon" policy such as a set of guidelines to improve the efficient use of energy, water and other resources for long-term sustainability.

Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of its business development and operation. For example, the Group has established policies and procedures, including "Energy Saving and Emission Reduction Control Plan" to achieve these goals. In the meantime, the Group believes that increasing environmental awareness is the basis for energy reduction initiative. The Group carries out extensive promotion and educational activities in order to enhance employees' awareness. Besides, the Group has implemented different measures to reduce energy consumption. For example, the temperature of air-conditioners should not be set below 26 degrees Celsius in summer and set above 20 degrees Celsius in winter. Smart use of lighting is encouraged by using natural light in day time to reduce the usage of lighting. Empty running of equipment, such as printers is not recommended and our staff are encouraged to switch off all the electronic appliances when leaving the office.

Apart from measures to reduce the use of electricity, the Group also sets guideline to effectively use the vehicles to reduce the fuel consumption. The Group chooses fuel-saving vehicles with high emission standards and improves the vehicles utilization by planning the travelling routes before staff use and goods delivery. Moreover, the Group strictly complies with the Energy Conservation Law of the People's Republic of China and the relevant documents and regulations in the countries and regions where we operate. The Group is also planning to develop a long-term mechanism for energy management with the aim to review energy consumption and set target for energy reduction. With all these measures and energy planning, the Group hopes to use energy more effectively and efficiently to save resources for the environment.

The Group energy consumption is classified into five types – (i) purchases electricity, (ii) petrol, (iii) diesel oil, (iv) liquefied petroleum gas, and (v) Towngas. During the Reporting Period, purchased electricity was our major energy consumption source for daily office operation. The increase in total energy consumption in 2023 was mainly attributable to the increase in the consumption of purchased electricity and petrol as the result of increased operating activities and vehicle use. during the year. The Group has set inclusive total energy consumption reduction target by 3% by 2025.

The energy consumption of the Group in 2024 is summarised as follows:

Energy consumption	**Unit**	**Aerosol business**	**Clean energy business**	**Investment holding business**	**2024 Total**	2023 Total
Purchased electricity	MWh	5,352.82	4,241.00	5.33	**9,599.15**	8,295.91
Petrol	MWh	333.49	10.67	–	**344.16**	405.36
Diesel	MWh	180.21	–	–	**180.21**	168.15
Towngas	MWh	32.79	–	–	**32.79**	26.74
Total energy consumption	MWh	5,898.31	4,251.67	5.33	**10,155.31**	8,896.16
Energy consumption intensity	Aerosol: MWh/tonnes of production	0.132			**0.132**	0.105
	Clean energy: MWh/m^2		0.0129		**0.0129**	0.0135
	Investment: MWh/m^2			0.006	**0.006**	0.006

Water

Water is another important resource used for the daily operation. Regarding water consumption for clean energy business in the PRC, it does not involve any water consumption during its daily business operation. In order to save water, water taps should be turned off right after using. Running, dripping and long-flowing water are avoided. In the manufacturing process of the aerosol business, the Group reuses water to reduce the water usage and closely checks the water recycling system to prevent leakage and wastewater discharged to the environment. The increase in water consumption in 2024 was mainly attributable to the increased operating activities during the year. The Group has set a reduction target of 5% in water consumption by 2025.

The water consumption of the Group during the Reporting Period is as follow:

Water	Unit	Aerosol business	Clean energy business	Investment holding business	2024 Total	2023 Total
Water consumption	m^3	401,312	–	–	**401,312**	175,597
Water consumption intensity	Aerosol: m^3/tonnes of production	8.37	–	–	**8.37**	4.18

Packaging Materials

The major packaging materials used in our aerosol business are paper, metal and plastic, while there is no packaging material involved in our clean energy business and investment holding business. The increase in amount of packaging materials in 2023 was mainly attributable to the increased operating activities and the expansion of business during the year. The Group has set a reduction target of 5% in packaging materials by 2025.

The consumption of those materials of the Group during the reporting year is summarized below:

Packaging materials	Unit	Aerosol business	Clean energy business	Investment holding business	2024 Total	2023 Total
Paper	tonnes	3,742.10	–	–	**3,742.10**	3,332.58
Plastic	tonnes	1,919.22	–	–	**1,919.22**	1,511.38
Metal	tonnes	10,791.03	–	–	**10,791.03**	9,602.59
Packaging materials intensity	Aerosol: m^3/tonnes of production	0.34	–	–	**0.34**	0.33

A3. THE ENVIRONMENT AND NATURAL RESOURCES

As a manufacturing company, we recognise our impact on the environment in our daily operations. To minimise the significant impact on the environment and natural resources, the Group has established "Environmental Management System" to outline procedures on planning and execution of environmental control programme in the operation. We comply with relevant laws and regulations, including Environmental Protection Law in the PRC. Besides, the Group has made achievement in sustainable development in the industry. Zhejiang Ludao Technology Co., Ltd., was awarded "浙江省清潔生產階段成果企業". This shows that the management of the Group effectively implements measures for good environmental protection.

A4. CLIMATE CHANGE

Governance

Our group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group.

Supported by our ESG Working Group, our Board oversees climate-related issues and risks regularly during board meetings and ensures that they are incorporated into our strategy.

To ensure our Board to keep up with the latest trend of climate-related issues, climate competence training will be provided to ensure it has the necessary expertise and skills to oversee the management of climate-related issues. Our Board also seeks professional advice from external experts when necessary to better support the decision-making process.

Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business. The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to the best practice standards. Moreover, the ESG Working Group works closely with the Group's different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our services range. This diversity of risk is combined with our business strategy and broad geographic footprint helps us mitigate risk and provide protection against the impacts of short-term climate change effects.

Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a "2ºC or lower scenario" through the following steps:

Step 1: Set Future Images Assuming Climate Change Effects

As climate change measures proceeds, there is a possibility that the industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness.

In light of these climate change effects, based on the International Energy Agency ("IEA") scenarios and others, we developed multiple future images as the external environment that will surround our Group. With regard to the IEA scenarios, we put focus on the 2ºC scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further "Beyond 2ºC scenario".

Step 2: Consider the Impacts

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that in such a society, it will be possible to expand carbon dioxide reduction effects.

With regard to effects on raw material procurement and production, introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.

Step 3: Respond to the Strategies

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumptions are high. By promoting real carbon emissions reductions throughout the world through comprehensive energy-saving policies and introduction of renewable energy, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving and introduction of renewable energy. With respect to renewable energy in particular, we have set a new target, achieve a reduction rate for purchased electricity in coming few years.

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increases in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

Risk Management

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed could be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones. The risk assessment is conducted through the following steps:

Step 1: Establish the context

- Objective/goal
- Scale
- Time frame
- Climate change scenario for most climate variables and sea level

Step 2: Identify existing risk (past and current)

- Identify the record of occurrence of climatic hazard in the past in the area
- Risk management strategies in place to tackle future occurrence of the hazard

Step 3: Identify future risk and opportunities

- Explore climate change projections for the selected time frame(s) and emission scenario(s)
- Identify potential hazards
- Investigate whether any existing risk from Step 2 may get worse under future projected changes
- Identify new risks that can emerge under future projected changes

Step 4: Analyse and evaluate risk

- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the Governance section above, the Group has robust risk management and business planning processes that are overseen by the board of directors in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring of carbon and energy footprint in our daily operation. However, there remains gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.

Significant Climate-related Issues

During the Reporting Period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group's business and strategy in (i) operations, products and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning, as well as the steps taken to manage these risks, are as follows:

Climate-related risks description	Financial impact	Steps taken to manage the risks
Physical Risk		
Acute physical risks		
– Increased severity and frequency of extreme weather events such as cyclones and floods, strong wind. Hence, staff are easily injured. In addition, under the extreme weather events, the costs of transportation, communications and living increase, which may lead to financial loss. – Increased likelihood and severity of wildfire, which may hinder the operations of factories. Financial loss occurs due to the interruption of supply chain, logistics and transportation.	– Operating cost increases – Capital cost increases due to the damage of facilities	– Planned to adopted scenario analysis to disclose an organization's planning under future scenarios, most notably one with in a "2ºC scenario". – Established a natural disasters emergency plan.

Climate-related risks description	Financial impact	Steps taken to manage the risks
Chronic physical risks		
– Prolonged hot weather may increase the energy consumption. – Climate change brings uncertainties to the environments of production and sales. Although direct losses will not be incurred by the company, this may still affect and limit the product sales and services significantly. – Prolonged climate change may detriment the human's health. Continuation of temperature rise can increase the fatality rates and incidence rates of some diseases, especially the one related to cardiac and respiratory system; the spread of some climate-sensitive diseases such as malaria and dengue fever may increase.	Revenue reduces from decreased production capacity and the negative impacts of workforce.	– Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts and increase the climate resilience in long term. – Engagement with local or national governments and local stakeholders on local resilience.

Climate-related risks description	Financial impact	Steps taken to manage the risks
Transitional Risk		
Policy risk		
– As a result of energy efficiency requirements, carbon-pricing mechanisms increase the price of fossil fuels, or policies to encourage sustainable land use, hindering the area of expansion, which increase the operation cost. – Mandates on and regulation of existing products and services as of the tightened environmental and safety laws and standards of oil. We have to spend much compliance cost to update or maintain the equipment to fulfil the new regulations.	– Operating cost increases due to increased insurance premiums for the factories. – Risk of trade increases.	– Planned to be involved in carbon trading and adoption of clean energy in the operations to reduce the carbon emissions. – Monitor the updates of the relevant climate-related environmental policies, to avoid the unnecessary increase in cost and expenditure due to the violation of the climate-related environmental policies.
Legal risk		
– Exposure to litigation. We have to adapt the tightened law and regulations issued by the government due to climate change, and they have the risk of litigation once they failed to obligate the new rules. – Enhanced emissions-reporting obligations. We may have to spend much time on fulfilling the report standards to comply the new obligations.	– Operating cost increases for high compliance costs and increased insurance premiums for the Group.	– Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance.

Climate-related risks description	Financial impact	Steps taken to manage the risks
Technology risk		
– Developing the low carbon energy-saving products and energy saving technologies, the capital investment and research and development expense increase consequently. – More green building strategies with low-carbon, energy-saving technologies are adopted by industry peers. Lagging behind may weaken our competitive edges.	– Capital investment in technology development increases.	– Planned to invest in the innovations of energy saving products. – Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.
Market risk		
– More customers are considering climate-related risks and opportunities, which may lead to changes in customers' demand for products. – Uncertainty in market signals. "How environmentally friendly the product is" becomes one of the factors to affect the product selling price. – Increased cost of raw materials. More environmentally-friendly raw materials may be much expensive, which may increase the cost.	– Revenue decreases for the change in revenue mix and sources. – Operating cost increases as abrupt and unexpected shifts in energy costs. – Production cost increases due to changing input prices and output requirements.	– Tightened the control of the environmental hazardous materials in our products and studied the application of recycled materials.

Climate-related risks description	Financial impact	Steps taken to manage the risks
Reputational risk		
– Unable to fulfil the expectations of the customers, damage the Group's reputation and image. – Stigmatization of our business sector, such as more stakeholder concern or negative stakeholder feedback on the product designed in a less environmentally-friendly way.	– Revenue decreases from decreased demand for goods and the decrease in production capacity. – Operating costs increases from negative impacts on workforce management and planning.	– Supported the green productions. – Fulfilled the social responsibility by organizing more activities or executing actions to demonstrate how we place importance on climate change.

During the Reporting Period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial Impact
Resource efficiency	
– Reduce more packaging material usage – Reduce water usage and consumption	– Operating cost reduces through efficiency gains and cost reductions
Energy source	
– Use of lower-emission fuel sources – Use of supportive policy incentives – Use of new technologies	– Operating cost reduces through use of lowest cost abatement – Returns on investment in low-emission technology increases

Detailed description of climate-related opportunities	Financial Impact
Products and services	
– Development of climate adaptation and insurance risk solutions – Ability to diversify business activities	– Revenue increases through new solutions to adaptations needs, such as insurance risk transfer products and services
Markets	
– Access to new markets	– Revenue increases through access to new and emerging markets
Resilience	
– Participation in renewable energy programs and adoption of energy-efficiency measures	– Market valuation increases through resilience planning, such as infrastructure, land and buildings
– Resource substitution or diversification	– Reliability of supply chain and ability to operate under various condition increases – Revenue increases through new products and services related to ensuring resiliency

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and greenhouse gas (GHG) emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the year. Our Group regularly tracks our energy consumption and GHG emissions indicators to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.

The details of time frames over which the target applies and base year from which progress is measured are described in the section A1: “Emissions” and section A2: “Use of Resources” of this Report. Our Group adopts absolute target to manage climate-related risks, opportunities and performance.

B. SOCIAL ASPECTS

The Group recognizes that maintenance of strong, healthy and friendly business relations with employees, supply chains, and a business is connected or expected to have a connection, whether internal or external, is the foundation for the Group’s success and development. The Group highly considers employees as important assets and is committed to earning respect from employees, maintaining work-life balance, and making them to grow together with us. With supporting business sustainable development, the Group works closely with suppliers to manage social risks. Besides, with a goal of understand the needs and interests of communities where the issuer operates, the Group takes its own initiatives to actively contribute to the society in various ways.

B1. EMPLOYMENT

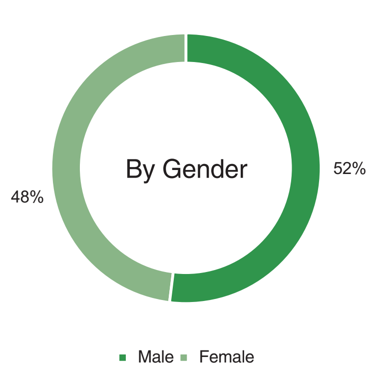
The Group values staff and the contribution that they make. It has a set of human resources management policies and procedures in place with the aim to provide a good working environment to employees where they can have a safe and healthy workplace to engage and perform to the satisfaction of the Group. These policies and procedures not only ensure the Group's compliance of the relevant labour laws and regulations in places where it operates, but also set out the Group's standard of staff recruitment, promotion guidelines, remuneration scale, working hours, rest breaks, holidays as well as termination of employment and compensation matters. Labour contracts or employment agreements are entered between the Group and the employees, which clearly state the relevant details in order to safeguard mutual interest and benefits. Besides, the Group has established various communication channels with its employees, including staff induction course and continuing educational seminars, regular staff and departmental meetings, internal publications and bulletin board, intranet communication, etc, with the aim to understand their needs. Specific form of communication can also be made subject to the communication content and characteristics of participants.

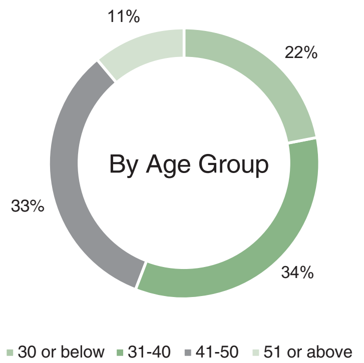
The Group respects the employees' rights. All of the employees of the Group are treated equally. Their employment, remuneration and promotion are not affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status. The Group formulates and regularly reviews the human resources plan in accordance with its development plan and strategic goals. Apart from making external recruitment plan for continuous injection of fresh blood to the Group, the Group forms internal staff training and talent reserve plan, and establishes all-level position selection and evaluation system to optimise human resources allocation and internal promotion in order to nurture prospective employees to be future leaders in their respective expertise areas.

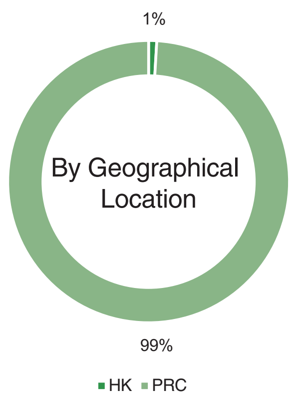
The Group strictly complies with the national laws and the system of the Group, and to refuse violation of business ethics. Throughout the year, the Group fully complied with all of the relevant laws and regulations in the countries and regions, such as the Employment Ordinance (Cap. 57), the Minimum Wage Ordinance (Cap. 608), the Labour Law of the People's Republic of China, and other relevant regulations where we operated without violating the relevant rules and regulations including the workers' wages and overtime payments. Related benefits are made with reference to the local minimum wage standard. Holidays and statutory paid leaves are in compliant with the requirements in the PRC and Hong Kong.

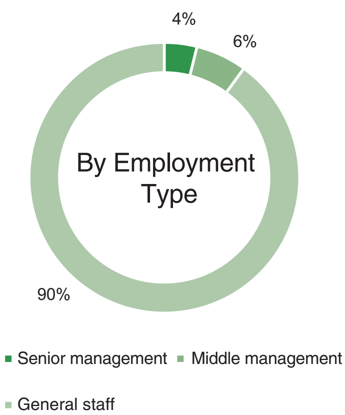
At the end of the Reporting Period, the Group has 486 employees (2023: 423 employees) located in the PRC and Hong Kong. Below is the employee breakdown by gender, age group, employment category, employment mode and geographical region.

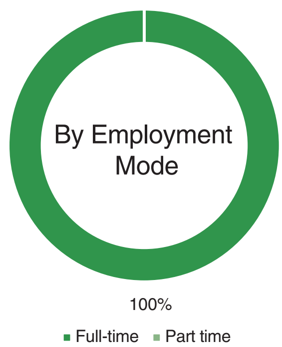
2024











Employee compositions	2024	2023
By gender		
• Male	**52%**	48%
• Female	**48%**	52%
By age group		
• Age 30 or below	**22%**	18%
• Age 31-40	**34%**	35%
• Age 41-50	**33%**	35%
• Age 51 or above	**11%**	12%
By geographical region		
• Hong Kong	**1%**	1%
• PRC	**99%**	99%
By employment category		
• Senior management	**4%**	4%
• Middle management	**6%**	9%
• General	**90%**	87%
By employment mode		
• Full-time	**100%**	100%
• Part-time	**–**	–

The employee turnover rates by gender, age group and geographical region at the end of the Reporting Period are as follows:

	Turnover rates (%)	
Employment	**2024**	2023
By gender		
– Male	**25%**	34%
– Female	**27%**	31%
By age group		
– 30 years old or below	**42%**	66%
– 31-40 years old	**26%**	32%
– 41-50 years old	**20%**	20%
– 51 years old or above	**17%**	22%
By geographical region		
– PRC	**26%**	33%
– HK	**–**	–
Overall	**26%**	32%

B2. HEALTH AND SAFETY

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. In order to provide better safety working environment for all staff, the Group has obtained OHSAS 18001:2007 Occupational Health and Safety Management Certification which is an international standard to prove the Group has established an occupational health management system to identify, control and reduce the risks associated with health and safety within the workplace. In addition, the Group's system also strictly complies with the rules and guidelines stipulated in the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Occupational Safety and Health Ordinance (Cap.509) by the Labour Department in Hong Kong and any other applicable laws and regulations. The system can prevent, control and eliminate any occupational diseases. In order to ensure occupational safety and health of our employees in the production process, the Group has adopted the following key measures:

- Every employee must receive health and safety training before performing the job duty. Periodic self-rescue training courses are provided to employees.
- First aid equipment, such as emergency showers and eyewash facilities, is installed in the production sites. It is checked regularly to ensure that it is in good condition.
- Personal protective equipment is provided to employees.
- Annual medical check is offered to employees.

In addition, the Group has set up environmental, health and safety ("EHS") committee to regularly monitor the EHS situation and the result is recorded for reference. If any serious incident related to health and safety is detected, an analysis is carried out promptly and measures are formulated to prevent similar incident from happening. Our contractors are expected to follow the same health and safety standard when working with us. They are offered with training before starting the work.

B3. DEVELOPMENT AND TRAINING

The Group believes that retaining talents is a core part of sustainability development to strengthen its competitiveness. In order to enable staff to keep abreast of the aerosol industry and maintain high-quality organisation structure, the Group offers various training programs to employees according to their job positions, and earmarks funds for staff training based on operation needs and annual training plan each year. Training mainly focuses on safety and product knowledge which are our primarily concern as a manufacturing company. In addition, the Group has established a comprehensive training system and mechanism to provide on-job teaching and training for its employees with a view to enhancing skills and management capabilities of the staff to offer smooth promotion channels. Continuous assessment is conducted to keep track on the performance of employees. Based on the analysis of the development needs, the management of the Group keeps ongoing selection of outstanding candidates for priority training through various methods such as internal aptitude tests, on job trainings and examinations and seniors' recommendations. During the Reporting Period, the Group provided approximately 26,669 hours (2023: 25,282 hours) of internal and external training to its employees.

During the Reporting Period, the percentage of employees received training by gender and employment category was as follows:

Percentage of employees trained (%)	**2024**	2023
By gender		
• Male	**84%**	92%
• Female	**84%**	90%
By employment category		
• Senior management	**72%**	81%
• Middle management	**64%**	56%
• General	**87%**	95%
Overall	**84%**	91%

The detailed breakdown of the composition of employees trained and the average training hours completed per employee by gender and employee category is as follows:

Training	Average Training hours *(hours/employee)* 2024	2023	Composition of employee trained *(%)* 2024	2023
By gender				
• Male	**62**	68	**50%**	49%
• Female	**55**	58	**50%**	51%
By employment category				
• Senior management	**35**	41	**4%**	3%
• Middle management	**43**	38	**5%**	6%
• General	**61**	66	**91%**	91%

B4. LABOUR STANDARDS

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group is strictly in compliance with the relevant laws and regulations, such as the Labor Law of the People's Republic of China. We pursue fair and equitable principle, promote equal opportunity in recruiting and promotion for employees and prohibit any kind of forced labor. The Group solely considers the knowledge, character, ability and experience of candidates to meet the appropriate conditions of service, regardless of his/her gender, race and family status, etc. The Group strictly complies with the Provisions on the Prohibition of Using Child Labor issued by the State Council of the People's Republic of China. According to the "Prohibition of Child Labour Control Procedure" of the Group, person under aged 16 is not allowed to work in the Group. The Group respects the right and freedom of employees as stipulated in "Prohibition of forced labour control procedure". During the Reporting Period, the Group did not have any cases related to child labour or forced labour.

B5. SUPPLY CHAIN MANAGEMENT

The Group relies on suppliers to supply different production materials, including raw materials, packaging materials, etc. We are aware of the potential environmental and social risks associated with our supply chain and committed to minimising such risks in the cooperation with our suppliers.

Therefore, we have implemented a strict selection process on our suppliers, taking into consideration the elements such as supplier qualification, business reputation, past performance and price. The Group closely monitors and performs annual review on the performance of its suppliers to ensure the product quality. For those products that do not meet the product quality and safety requirement, they will be specifically distinguished and handled to avoid misuse and delivery. We maintain a long-term cooperation with our suppliers based on the result of annual review.

The geographical distribution of major suppliers is as follows:

Geographical region	Number of suppliers	
	2024	2023
Mainland China		
– Zhejiang Province	**160**	146
– Shanghai	**77**	81
– Guangdong Province	**70**	81
– Jiangsu Province	**60**	58
– Beijing	**2**	2
– Hebei Province	**4**	3
– Anhui Province	**6**	7
– Fujian Province	**4**	4
– Liaoning Province	**1**	1
– Shandong Province	**13**	11
– Jiangxi Province	**3**	3
– Tianjin	**2**	2
– Henan Province	**1**	1
– Yunnan Province	**1**	1
– Sichuan Province	**–**	1
– Hubei Province	**3**	1
Total	**407**	403

B6. PRODUCT RESPONSIBILITY

To continuously improve the product quality for pursuing customer satisfaction of our products, the Group has continuously improved its quality management system in accordance with the latest version of ISO 9001:2015 standard which is a revised high level structure compared to the previous version of ISO 9001:2008. All products produced by the Group undergo relevant safety tests with appropriate safety labels affixed on the packaging. In addition, the Group has implemented a thorough “Recall Control Procedure” to protect the interest of the customer and to reduce the risk associated with product quality and safety. During the reporting period, no material products and service-related complaints (2023: nil) were received, and no products sold or shipped subjected (2023: nil) to recalls for safety and health reasons.

B7. ANTI-CORRUPTION

The Group is committed to preventing and monitoring any malpractice or unethical actions. The Group has established stringent policies, including “Anti-corruption and Anti-bribery Control Procedure” for anti-corruption and anti-fraud, which were communicated to the employees so as to provide them a whistle-blowing channel for reporting any suspected misappropriate actions to the Board. Employees are required to sign a “Commitment to Anti-bribery/Anti-corruption” to declare his/her compliance with the related laws. Our customers, suppliers and contractors are expected to follow the same standard when working with us. During the Reporting Period, the Group was in strict compliance with the related laws and regulations including the Prevention of Bribery Ordinance (Cap.201) and the Criminal Law of the People’s Republic of China and there was no legal case regarding corrupt practices brought against the Group or its employees.

The Group regularly provided the training materials to the directors and employees for their updated the knowledge of anti-corruption and enhance their awareness.

During the Reporting Period, the training of anti-corruption for directors and employees was conducted by the internal training and supplied of reading materials.

The number of employees received anti-corruption training and the training hours by employment category were as follows:

Anti-corruption training	2024	2023
Number of employees received training		
• Board of directors	**3**	3
• Senior management	**6**	5
• Middle management	**12**	11
• General staff	**305**	292
Total employees	**326**	311
Number of training hours		
• Board of directors	**12**	10
• Senior management	**17**	15
• Middle management	**25**	23
• General staff	**40**	35
Total training hours	**94**	83

B8. COMMUNITY INVESTMENT

The Group is committed to contributing to the society and making its own efforts in the development of the community. Contribution to and maintaining harmonious relationship with the community in the region of operation are crucial for the sustainable development. The Group has established "Community Investment Policy", which aims to build trust and stable relationship with its stakeholders. The management and the employees of the Group participated in assisting and supporting the local community development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the research and development, manufacture and sale of aerosol and related products and wholesales of personal care products and production related materials in the PRC. Details of principal activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements. There was no significant changes in the nature of the Group's principal activities during the Reporting Period. An analysis of the Group's performance for the Reporting Period by geographical segment is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

The discussion and analysis as required by Schedule 5 of the Companies Ordinance (Cap. 622), including a review of the business of the Group, an analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. The discussion contained therein forms part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth. Details are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended 31 December 2024, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors are of view that maintaining a good working relationship with its employees, customers and suppliers are the keys to the sustainable development of the Group. During the Reporting Period, there was no significant dispute between the Group and its employees, customers and suppliers.

DONATION

During the year ended 31 December 2024, no donation was made by the Group.

RESULTS AND DIVIDEND

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

The Board resolved not to recommend any final dividend for the year ended 31 December 2024.

Directors' Report

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deems appropriate. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in the Cayman Islands, Hong Kong and the Articles.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 198 of this annual report. This summary does not form part of the audited consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 27 May 2025, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 May 2025.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 25 to the consolidated financial statements.

The Company did not have any treasury shares (as defined in Rule 1.01 of the Listing Rules) as at 31 December 2024.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity of this annual report and note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024 and 31 December 2023, the Company does not have any reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of revenue from sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2024	2023
	%	*%*
Sales		
– the largest customer	**11.6**	16.2
– five largest customers combined	**44.4**	47.6
Purchases		
– the largest supplier	**12.7**	16.6
– five largest suppliers combined	**46.8**	54.7

During the Reporting Period, none of the Directors or any of their close associates or any shareholders of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had interest in any of the five largest suppliers or customers.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholder.

TAX RELIEF

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

DIRECTORS

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

Executive Directors
Mr. Yu Yuerong *(Chairman)*
Mr. Wang Xiaobing *(Deputy Chairman)*
Ms. Pan Yili

Independent non-executive Directors
Mr. Chan Yin Tsung
Mr. Ruan Lianfa
Ms. Yau Kit Kuen Jean

Pursuant to Rule 112 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first AGM after his/her appointment, and shall then be eligible for re-election at that AGM but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that AGM.

Pursuant to Rule 108(a) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. Mr. Wang Xiaobing and Mr. Chan Yin Tsung shall therefore be retired at the forthcoming AGM by rotation and, being eligible, offer themselves for re-election.

In compliance of Rule 3.10(1) and Rule 3.10A of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing more than one-third of the Board.

The Company has received a written confirmation from each independent non-executive Director in respect of their independence. Based on the contents of such confirmation, the Board considers the independent non-executive Directors to be independent under Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in the paragraph headed "Subsequent Events after the Reporting Period" of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director, the connected party to the Director or a controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period and there was no transaction, arrangement or contract of significance for the provision of services to the Group by the controlling shareholder of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period and up to and including the date of this annual report.

Each of Mr. Yu and Ludao China Investments Holdings Limited ("Ludao Investments") (together the "Controlling Shareholders"), had entered into a deed of non-competition dated 16 September 2013 (the "Deed of Non-competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would procure his/its associates not to (other than through the Group or in respect of each covenanter (together with his/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

In order to ensure the Controlling Shareholders have complied with the Deed of Non-competition, as at the date of this annual report, each of the Controlling Shareholders has provided to the Company a written confirmation (i) in respect of his/its compliance with the Deed of Non-competition for the Reporting Period and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (ii) stating that they have not entered into any business which may be in competition with the business carried on by the Group from time to time. As there was no change in terms of the undertaking since the Company's listing on the Stock Exchange, the Board is of the view that the Controlling Shareholders have complied with the Deed of Non-competition and no matters are required to bring to the attention to the public.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole and any substantial part of the Company's business was entered into or existed between the Company and any person who is not a Director or not engaged in the full-time employment of the Group during the Reporting Period.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out in the paragraph headed "Biographies of Directors and Senior Management" of this annual report.

CHANGE IN DIRECTORS' INFORMATION

Save as disclosed in the paragraph headed "Biographies of Directors and Senior Management" of this annual report, the Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of 2024 interim report.

In respect of the change in emoluments of Directors, please refer to note 40 to the consolidated financial statements.

SHARE OPTION SCHEME

Neither the Company nor its subsidiaries had any share option scheme during the year ended 31 December 2024.

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

As at 31 December 2024, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares and underlying shares of the Company held *(Note 1)*	Approximate percentage of interests in the Company *(Note 2)*
Mr. Yu	Interests of a controlled corporation	250,644,000 *(Note 3)*	50.96%
Mr. Wang Xiaobing	Beneficial owner	1,200,000	0.24%

Notes:

(1) All the interests represent long positions.

(2) These percentages have been compiled based on the total number of issued shares of the Company (i.e. 491,800,000 shares) as at 31 December 2024.

(3) These shares are held by Ludao Investments, which is wholly and beneficially owned by Mr. Yu.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives of the Company, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2024, the following persons or corporations (other than a Director or chief executive of the Company), other than those disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company or the Associated Corporations", had notified the Company of its interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and underlying shares of the Company

Name of shareholders	Capacity/Nature of interests	Number of ordinary shares and underlying shares of the Company held *(Note 1)*	Approximate percentage of interests in the Company *(Note 2)*
Ludao Investments	Beneficial owner	250,644,000 *(Note 3)*	50.96%
Ms. Wang Jinfei	Interest of spouse	250,644,000 *(Note 3)*	50.96%
Perfect Century Group Limited	Beneficial owner	35,400,000 *(Note 4)*	7.20%

Notes:

(1) All the interests represent long positions.

(2) These percentages have been compiled based on the total number of issued shares of the Company (i.e. 491,800,000 shares) as at 31 December 2024.

(3) Ludao Investments is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Yu, the chairman and the executive Director of the Company. Ms. Wang Jinfei is the spouse of Mr. Yu and is therefore deemed to be interested in all the shares held by Mr. Yu (through Ludao Investments) by virtue of the SFO.

(4) Perfect Century Group Limited is interested in 35,400,000 shares which include 11,800,000 shares and 23,600,000 underlying shares to be derived from the convertible bonds of a principal amount of RMB32 million (equivalents to HK$37.76 million) issued by the Company on 29 March 2018 at the conversion price of HK$1.60 per share.

Pursuant to the judgment made by the High Court of Hong Kong on 21 December 2021, the Company and Prosper One Development Limited are entitled to cancel and avoid or procure the cancellation and avoidance of the convertible bond issued by the Company to the Perfect Century Group Limited in the principal amount of RMB32 million. Accordingly, Perfect Century Group Limited is no longer entitled to convert the bond in the sum of RMB32 million into 23,600,000 underlying shares. As at the date of this annual report, the Company has not received any further notification from Perfect Century Group Limited in respect of any changes to notifiable interest.

Save as disclosed above, so far as is known to the Directors of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company or any of its associated corporations which were or required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under section 336 of the SFO as at 31 December 2024.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had not entered into any connected transaction or continuing connected transactions which are not exempt under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had not entered into any related party transactions.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report under Rule 8.08 of the Listing Rules.

Directors' Report

PERMITTED INDEMNITY PROVISIONS

The Articles provide that the Directors and other officers of the Company are entitled to 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 shall or may incur or sustain in or about the execution of their duty in their respective offices, excluding any losses and liabilities that may arise from fraud and dishonesty.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities. The level of the coverage is reviewed annually. The permitted indemnity provision is in force for the benefit of the Directors on the date that the Directors approved this 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 during the year or subsisted during the year.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after 31 December 2024 and up to the date of this annual report.

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders who are uncertain about the tax implications of purchasing, holding, disposing of, dealing in or exercising any rights in relation to the shares of the Company should seek relevant expert for advice.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by WM CPA Limited, who will retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment.

By order of the Board

Yu Yuerong
Chairman

Hong Kong, 27 March 2025

WM CPA LIMITED
維文會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA LUDAO TECHNOLOGY COMPANY LIMITED
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Ludao Technology Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 87 to 197, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, 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 summary of 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 disclosure requirements of 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"), as applicable to audits of financial statements of public interest entities. We have also 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for expected credit losses ("ECLs") of trade receivables

As at 31 December 2024, the Group's trade receivables, gross and loss allowances thereon amounted to approximately RMB218,425,000 and RMB14,176,000 respectively.

ECLs for trade receivables is based on management's estimated of the lifetime ECLs to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and an assessment of both the current and forecast macro economic conditions, all of which involve significant degree of management judgment.

We have identified ECLs assessment of trade receivables as a key audit matter because assessing ECLs of trade receivables is a subjective area as it requires the exercise of management's judgment and uses of estimates and the significance of the carrying amounts of trade receivables to the Group's consolidated financial statements.

Refer to Note 3 "Financial Risk Management", Note 4 "Critical accounting estimates and judgments" and Note 19 "Trade and other receivables" to the consolidated financial statements.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the management's ECLs assessment on trade receivables included:

– assessing the application of the Group's policy for calculating the ECLs;

– assessing whether the calculations of ECLs was in accordance with HKFRS 9;

– assessing the scope, expertise and independence of the independent professional valuer appointed by the Group;

– evaluating valuation methodologies and parameters adopted in ECLs assessment, with the assistance of our internal valuation specialist;

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

– testing on a sample basis the ageing of trade receivables at the end of year.

Impairment of prepayment for property, plant and equipment, property, plant and equipment and right-of-use assets

At 31 December 2024, the carrying amount of prepayment for property, plant and equipment, property, plant and equipment and right-of-use assets (together the "Specified non-current Assets") was amounting to approximately RMB80,070,000, RMB801,048,000 and RMB77,984,000 respectively. These assets are allocated to the cash generating units ("CGUs") of the Group's manufacturing businesses.

The Group had reported a net loss in one of the manufacturing CGUs during the year. Management considered this as an impairment indicator on the Specified non-current Assets and has performed an impairment assessment on these assets as at 31 December 2024 to determine their recoverable amount. Management has performed impairment tests with reference to a valuation performed by an independent and qualified professional valuer and the conclusion is based on the estimation of the recoverable amounts of the respective CGUs to which the respective Specified non-current Assets relate using the value-in-use ("VIU") and fair value less cost of disposal ("FVLCOD") calculation.

We identified this matter as a key audit matter because of the significance of the amounts involved and use of judgements and estimates in assessing the impairment of the assets. These key estimates include forecasted gross margins, forecasted overheads, forecasted growth rates and discount rates adopted in the VIU calculations based on discounted cash flow model.

Refer to Note 4 "Critical accounting estimates and judgments", Note 14(a) "Right-of-use assets", Note 15 "Property, plant and equipment" and Note 20 "Prepayments for property, plant and equipment" to the consolidated financial statements.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the management's CGUs assessment included:

- understanding and assessing the appropriateness of the valuation methodologies used by the management and key assumptions adopted for valuations based on our knowledge of the businesses and industries;

- assessing the objectivity, capability, and competence of the independent professional valuer by considering its qualifications, relevant experience and relationship with the Group;

- checking the accuracy and relevance of the input data used and the reasonableness of the key assumptions used in the valuations;

– involving an auditor's valuation expert to assist our work in assessing the valuation methodology adopted by the independent professional valuer and comparing the key estimates and assumptions adopted in the valuations;

– discussing with the independent professional valuer and challenging the reasonableness of key assumptions in the cash flow projections covering the projection period, growth rates and discount rate; and

– considering the adequacy of the Group's disclosure in respect of the impairment assessment.

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 Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities 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 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

We communicate with 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 directors, 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.

WM CPA Limited
Certified Public Accountants
Chow Wing Yiu
Practising Certificate no. P07574

Hong Kong, 27 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	6	**906,846**	705,753
Cost of sales		**(765,010)**	(572,642)
Gross profit		**141,836**	133,111
Other income	6	**6,853**	12,991
Other gains – net	6	**11,065**	3,739
Selling expenses		**(21,304)**	(27,810)
Administrative and other operating expenses		**(65,884)**	(58,267)
(Impairment loss)/reversal of impairment loss on trade receivables, other receivables and deposits		**(5,222)**	291
Impairment loss on investment in a joint venture	13	**(3,415)**	(5,133)
Operating profit		**63,929**	58,922
Finance income	9	**883**	456
Finance costs	9	**(6,380)**	(11,012)
Finance costs – net	9	**(5,497)**	(10,556)
Share of results of a joint venture	13	**408**	132
Profit before income tax	7	**58,840**	48,498
Income tax expense	11	**(7,557)**	(4,940)
Profit for the year		**51,283**	43,558
Other comprehensive expenses			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(13,453)**	(4,474)
Other comprehensive expenses for the year, net of tax		**(13,453)**	(4,474)
Total comprehensive income for the year		**37,830**	39,084
Profit for the year attributable to:			
Owners of the Company		**51,300**	43,580
Non-controlling interests		**(17)**	(22)
		51,283	43,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**37,847**	39,106
Non-controlling interests		**(17)**	(22)
		37,830	39,084
Earnings per share for profit attributable to owners of the Company			
– basic and diluted *(RMB per share)*	12	**0.10**	0.09

The notes on pages 92 to 197 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**801,048**	635,496
Prepayments for property, plant and equipment	*20*	**80,070**	134,888
Right-of-use assets	*14*	**77,984**	64,243
Investment property	*16*	**–**	–
Intangible assets	*17*	**1,586**	1,604
Investment in a joint venture	*13*	**46,500**	49,500
Financial asset at fair value through profit or loss ("FVTPL")	*21*	**2,000**	2,000
Financial asset at fair value through other comprehensive income ("FVOCI")	*21*	**–**	–
Deferred tax assets	*33*	**2,768**	2,028
Trade and other receivables	*19*	**64**	–
		1,012,020	889,759
Current assets			
Inventories	*18*	**57,593**	48,635
Trade and other receivables	*19*	**508,028**	363,311
Financial asset at FVTPL	*21*	**–**	–
Income tax recoverable		**–**	292
Pledged bank deposits	*23*	**85,089**	55,435
Cash and bank balances	*22*	**32,087**	31,579
		682,797	499,252
Total assets		**1,694,817**	1,389,011
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*25*	**3,901**	3,901
Share premium	*25*	**150,143**	150,143
Other reserves	*27*	**(75,748)**	(61,114)
Retained earnings		**368,735**	316,254
		447,031	409,184
Non-controlling interests		**365**	382
Total equity		**447,396**	409,566

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*32*	**279,078**	311,114
Lease liabilities	*14*	**1,948**	1,388
Deferred tax liabilities	*33*	**7,756**	8,348
Deferred government grants	*28*	**9,486**	9,808
		298,268	330,658
Current liabilities			
Trade and other payables	*29*	**531,148**	231,968
Contract liabilities	*6*	**57,518**	16,352
Bank and other borrowings	*32*	**358,468**	310,859
Convertible bonds	*31*	**–**	83,235
Note	*30*	**–**	–
Income tax payable		**758**	–
Lease liabilities	*14*	**1,261**	6,373
		949,153	648,787
Total liabilities		**1,247,421**	979,445
Total equity and liabilities		**1,694,817**	1,389,011

The notes on pages 92 to 197 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 87 to 197 were approved by the Board of Directors on 27 March 2025 and were signed on its behalf.

Yu Yuerong
Director

Wang Xiaobing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2023	3,901	150,143	(60,424)	279,018	372,638	1,744	374,382
Profit for the year	–	–	–	43,580	43,580	(22)	43,558
Currency translation differences	–	–	(4,474)	–	(4,474)	–	(4,474)
Total comprehensive income	–	–	(4,474)	43,580	39,106	(22)	39,084
Transaction with non-controlling interests *(Note 36)*	–	–	(2,560)	–	(2,560)	(1,340)	(3,900)
Transaction with owners							
Profit appropriation	–	–	6,344	(6,344)	–	–	–
Balance at 31 December 2023 and 1 January 2024	3,901	150,143	(61,114)	316,254	409,184	382	409,566
Profit for the year	–	–	–	51,300	51,300	(17)	51,283
Currency translation differences	–	–	(13,453)	–	(13,453)	–	(13,453)
Total comprehensive income	–	–	(13,453)	51,300	37,847	(17)	37,830
Derecognition of equity component of convertible bonds *(Note 31)*	–	–	(7,176)	7,176	–	–	–
Transaction with owners							
Profit appropriation	–	–	5,995	(5,995)	–	–	–
Balance at 31 December 2024	3,901	150,143	(75,748)	368,735	447,031	365	447,396

The notes on pages 92 to 197 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**199,947**	32,338
Income tax paid		**(8,260)**	(2,333)
Net cash generated from operating activities		**191,687**	30,005
Cash flows from investing activities			
Acquisition of additional interest in subsidiaries		**–**	(3,900)
Purchase of property, plant and equipment		**(40,526)**	(61,809)
Proceeds from disposal of property, plant and equipment		**25**	27
Purchase of intangible assets		**(84)**	(1,063)
Payment for right-of-use asset		**(35,257)**	–
Placement of pledged bank deposits		**(29,654)**	(26,297)
Interest received		**883**	456
Prepayment for property, plant and equipment		**(28,561)**	(47,365)
Net cash used in investing activities		**(133,174)**	(139,951)
Cash flows from financing activities			
Repayment of convertible bonds		**(89,986)**	(4,925)
Repayments of principal portion of the lease liabilities		**(7,226)**	(7,627)
Repayments of note		**–**	(37,591)
Proceeds from bank and other borrowings		**354,339**	218,957
Repayments of bank and other borrowings		**(339,689)**	(105,844)
Interest paid		**(33,492)**	(29,328)
Proceeds from notes payable		**268,139**	77,750
Repayments of notes payable		**(196,730)**	(17,173)
Net cash (used in)/generated from financing activities		**(44,645)**	94,219
Net increase/(decrease) in cash and cash equivalents		**13,868**	(15,727)
Cash and cash equivalents at beginning of the year	22	**31,579**	50,786
Currency translation differences		**(13,360)**	(3,480)
Cash and cash equivalents at end of the year	22	**32,087**	31,579

The notes on pages 92 to 197 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

China Ludao Technology Company Limited (the "Company") was incorporated in the Cayman Islands on 25 May 2012 as an exempted company with limited liability. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides and wholesales of personal care products and production related materials. Ludao China Investments Holdings Limited ("Ludao Investments"), which is wholly owned by Mr. Yu Yuerong ("Controlling Shareholder"), has 50.96% interest in the Company as at 31 December 2024.

On 11 October 2013, the shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2025.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirement of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, except for investment property and certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

As at 31 December 2024, the Group recorded net current liabilities of approximately RMB266,356,000 and placed reliance on short-term financing. These situations indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, in view of the circumstances, the Directors have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

(a) the management of the Group has been endeavouring to improve the Group's operating cash flows through implementing various cost control measures; and

(b) the Group has unutilised banking facilities as at 31 December 2024.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of approval of these consolidated financial statements taking into account the above-mentioned plans and measures, having considered the Group's bank balances as at 31 December 2024 and the Group's continuous net cash inflows from future operations and/or other sources, the Directors were of the opinion that the Group has sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies and method of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2023 except for the changes mentioned below.

(a) New and amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has adopted the following amended HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (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*

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(a) *New and amendments to HKFRS Accounting Standards that are mandatorily effective for the current year (Continued)*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

Amendment to HKFRS 16 – Lease Liability in a Sale and Leaseback

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.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Non-current Liabilities with Covenants (the "2022 Amendments")

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(a) *New and amendments to HKFRS Accounting Standards that are mandatorily effective for the current year (Continued)*

Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

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.

(b) *New and amendments to HKFRS Accounting Standards in issued but are not yet effective*

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, 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 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) *New and amendments to HKFRS Accounting Standards in issued but are not yet effective* *(Continued)*

Further information about those HKFRS Accounting Standards 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 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) *New and amendments to HKFRS Accounting Standards in issued but are not yet effective* *(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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) New and amendments to HKFRS Accounting Standards in issued but are not yet effective *(Continued)*

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 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) *New and amendments to HKFRS Accounting Standards in issued but are not yet effective* (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 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation

2.4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS Accounting Standards. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.1 Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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

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

2.4.2 Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.2 Subsidiaries (Continued)

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

- the Group's voting rights and potential voting rights;
- the contractual arrangements with other vote holders of the investee;
- right arising from other contactual arrangement; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4.3 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.3 Joint arrangements *(Continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements)

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. In accordance with HKFRS 11 Joint Arrangements, the Group is required to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by HKFRS 3.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.4 Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss as a gain on bargain purchase on the acquisition date, after re-assessment.

Goodwill is initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of unites. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Group, being the chief operating decision maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components reported to the CODM are determined based on the Group's major products and service lines stated in Note 5.

2.6 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.6 Foreign currencies *(Continued)*

On consolidation, the results of overseas operations are translated into RMB at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the exchange reserve.

Exchange differences recognised in profit or loss in group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost less impairment losses. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-35 years
Plant and machinery	5-15 years
Office furniture and equipment	3-10 years
Motor vehicles	5 years
Renovation	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the consolidated statement of profit or loss and other comprehensive income.

2.8 Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or infinite. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each financial year end.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Intangible assets (other than goodwill) *(Continued)*

(i) Intangible assets acquired separately *(Continued)*

The amortisation expense is recognised in profit or loss. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Computer software	10 years
Patents	5 years
Development costs	10 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Intangible assets (other than goodwill) *(Continued)*

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

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

(v) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 2.9).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment and prepayments for property, plant and equipment;
- right-of-use assets;
- intangible assets (other than goodwill);
- investment in a joint venture; and
- investments in subsidiaries in the Company's statement of financial position

If the recoverable amount (i.e. the greater of the fair value less costs of disposal ("FVLCOD") and value in use ("VIU")) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the impairment loss is treated as a revaluation decrease under that HKFRS Accounting Standards.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS Accounting Standards.

VIU is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 2.4.4) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments

2.10.1 Financial assets

Financial assets is recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus or minus, in the case of a financial asset not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets *(Continued)*

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance being ECL provision in accordance with HKFRS 9; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.2 Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, other receivable and deposits, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.2 Impairment loss on financial assets *(Continued)*

The Group rebutted the presumption of a financial asset has increased credit risk significantly if it is more than 30 days past due based on the customers' past payment history and current ability of making payments. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 1 year past due.

The Group rebutted the presumption of default under ECL model for a financial asset over 90 days past due based on the customers' past payment history and continuous business with the Group.

The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for that financial asset because of financial difficulties.

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

- when there is a breach of financial covenants by the counterparty; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.3 Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank and other borrowings, lease liabilities, note and debt element of convertible bonds are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.10.4 Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.4 Convertible bonds *(Continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds with conversion options which are not settled by exchanging a fixed amount of cash for a fixed number of the Company's own shares comprise a derivative component and a liability component.

At initial recognition the derivative component of the convertible notes is measured at fair value. Any excess of the proceeds which represents the fair value of the convertible bonds as a whole over the amount initially recognised as the derivative component which represents the fair value of conversion option is recognised as the liability component. Transaction costs relating to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability component. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured at fair value, with changes in fair value recognised immediately in profit or loss. The liability component is subsequently measured at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The liability component is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.10.5 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.6 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

2.10.7 Equity instruments

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

2.10.8 Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

2.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as borrowing costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.15 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.17 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.17 Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.18 Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

2.19 Revenue recognition

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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

(i) Sales of goods

Customers obtain control of the goods when the goods are delivered to and accepted by customers according to the contract terms. Revenue is thus recognised at the point in time when the customers accepted the goods. There is generally only one performance obligation in a contract. Invoices are usually payable on demand and up to 0-360 days (2023: 0-360 days). There are no right of return and the provision of rebates is not common.

(ii) Technical services income

Technical services include provision of consultation services, feasibility analysis and the application of technique. Revenue from provision of consultation services is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefits providing by the Group's performance as the Group performs and the revenue can be measured reliably. Revenue from provision of feasibility analysis and the application of technique is recognised at a point in time when the promised services is satisfied. The considerations generally include no variable amount. Invoices are usually payable on demand or up to 0-180 days.

Contract assets and liabilities

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

2.20 Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

Lease liability

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group has leased out its investment property to a tenant. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group. For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 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 key management personnel of the Group or parent of the Company;

or

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group; *(If the Group is itself such a plan)* and the sponsoring employers of the post-employment benefit plan;

(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 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 Company.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Related parties *(Continued)*

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by designated directors under policies approved by the board of directors. These directors identify, evaluate and hedge financial risks in close cooperation within the Group's operating units.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The majority of the Group's assets and liabilities were denominated in RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB. The Group currently does not have any foreign exchange contracts because hedging cost is relatively high. Moreover, the conversion of RMB into foreign currencies and the remittance of funds are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) *Foreign exchange risk (Continued)*

Major foreign currencies of Group are Hong Kong dollars ("HKD") and United States dollars ("USD"). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Assets		
HKD and USD	**102,032**	124,218
Liabilities		
HKD and USD	**53,887**	140,875

The following table shows the sensitivity analysis on profit before tax of a 5% increase in RMB against HKD and USD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for the respective changes in rate.

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
5% appreciation in exchange rate against HKD and USD		
(Decrease)/increase in the profit for the year	**(2,407)**	833

(b) *Price risk*

The Group is not exposed to equity securities price risk or commodity price risk. The Group has not entered into any long term contracts with the suppliers but placed deposits when the prices were considered favourable. Fluctuations in the price of raw materials are usually passed on to customers.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023.

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*	–	–	–	218,425	218,425
Other receivables and deposit (excluding prepayment, government grant receivables and other tax receivables)					
– Normal**	2,943	–	–	–	2,943
– Doubtful**	–	1,629	3,296	–	4,925
Pledged deposits					
– Not yet past due	85,089	–	–	–	85,089
Cash and bank balances					
– Not yet past due	32,087	–	–	–	32,087
Total	120,119	1,629	3,296	218,425	343,469

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	202,708	202,708
Other receivables and deposit (excluding prepayment, government grant receivables and other tax receivables)					
– Normal**	1,202	–	–	–	1,202
– Doubtful**	–	1,600	3,229	–	4,829
Pledged deposits					
– Not yet past due	55,435	–	–	–	55,435
Cash and bank balances					
– Not yet past due	31,579	–	–	–	31,579
Total	88,216	1,600	3,229	202,708	295,753

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 19 to the consolidated financial statements, respectively.

** The credit quality of the financial assets included in other receivables and deposit (excluding prepayment, government grant receivables and other tax 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".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 19 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2024, the Group had certain concentration of credit risk as 74% (2023: 67%) of the total trade receivables were due from the Group's five largest customers. For the year ended 31 December 2024, the five largest customers were established customers of the Group which were located in Chile, the United States of America and Mainland China (2023: Chile, the United States of America and Mainland China), and have good repayment history with reference to the track records of these customers under internal assessment by the Group. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

The Group has adequate cash and cash equivalents to finance its operating activities. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024						
Trade and other payables (excluding other taxes payable)	531,104	531,104	531,104	–	–	–
Bank and other borrowings	637,546	659,968	362,682	43,678	185,819	67,789
Lease liabilities	3,209	3,597	1,491	1,314	792	–
	1,171,859	1,194,669	895,277	44,992	186,611	67,789
As at 31 December 2023						
Trade and other payables (excluding other taxes payable)	231,153	231,153	231,153	–	–	–
Bank and other borrowings	621,973	639,844	320,608	35,606	154,054	129,576
Convertible bonds	83,235	89,513	89,513	–	–	–
Lease liabilities	7,761	8,185	6,701	742	742	–
	944,122	968,695	647,975	36,348	154,796	129,576

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits (Note 23), fixed-rate bank borrowings (Note 32), lease liabilities (Note 14), and liability component of convertible bonds (Note 31). The Group's exposures to cash flow interest rate risk are mainly attributable to its bank deposits and bank borrowings at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group does not hedge its fair value interest rate risk as management believes that the fair value interest rate risk does not have material impact on the Group given the discounting impact as a result of a shift of the fixed interest rate on the borrowings is not material.

As at 31 December 2024 and 2023, the Directors of the Company expected reasonably possible changes in interest rates have no material impact on the interest income of pledged bank deposits, short-term bank deposits and cash and cash equivalents and interest expense of bank and other borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/(increase) by RMB1,377,000 (2023: RMB1,353,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing were as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bank and other borrowings *(Note 32)*	**637,546**	621,973
Notes payable *(Note 29)*	**149,159**	77,750
Convertible bonds *(Note 31)*	**–**	83,235
Total borrowings	**786,705**	782,958
Total equity	**447,396**	409,566
Gearing ratio	**176%**	191%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities approximate to their fair values as the impact of discounting is not significant.

The Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Disclosures of level in fair value hierarchy at 31 December 2024	*Note*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial asset at FVOCI					
Unlisted equity securities	*21*	–	–	–	–
Financial asset at FVTPL					
Profit guarantee	*21*	–	–	–	–
Equity investment	*21*	–	–	2,000	2,000
		–	–	2,000	2,000
Total financial assets		–	–	2,000	2,000

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2023	*Note*	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial asset at FVOCI					
Unlisted equity securities	*21*	–	–	–	–
Financial asset at FVTPL					
Profit guarantee	*21*	–	–	–	–
Equity investment	*21*	–	–	2,000	2,000
		–	–	2,000	2,000
Total financial assets		–	–	2,000	2,000

During the year ended 31 December 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

The following table presents the changes in level 3 items for the years ended 31 December 2024 and 2023:

	Financial assets at FVOCI Unlisted equity securities *RMB'000*	**Financial assets at FVTPL**		
		Profit guarantee *RMB'000*	**Unlisted fund investment** *RMB'000*	**Equity investment**
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	–	–	–	2,000

Fair values of financial asset at FVOCI and FVTPL have been measured as described in Note 21.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Provision for ECLs of trade receivables, other receivables and deposits

The provision for ECLs is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency. As at 31 December 2024, the provision for impairment on trade receivables, other receivables and deposits are RMB14,176,000 (2023: RMB8,941,000), RMB3,363,000 (2023: RMB3,309,000) and nil (2023: nil) respectively. The Group makes allowances on trade receivables, other receivables and deposits based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the ECLs calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(b) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate the expected sales based on orders on hand and ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. Judgment is required in estimating the expected sales and thus the provision required. If conditions which have impact on the net realisable value of inventories deteriorate, additional provision may be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets.

(d) No equity accounting applied for the investment in Ever Clever (as defined in note 21) in which the Group holds 25% equity interest

No significant influence in Ever Clever

In preparing the consolidated financial statements, significant judgment has been applied by the management in the determination of the investment of 25% equity interest in Ever Clever under Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" ("HKAS 28"). Management has assessed the definition of an associate under HKAS 28 and given that the Group which owns 25% of equity interest does not entitle to request for a meeting to elect directors of Ever Clever in accordance with the memorandum and articles of association of Ever Clever, there is no representation of the Group on the board of directors or equivalent governing body of Ever Clever and the Group has not participated in policy-making processes, including participation in decisions about dividends or other distributions, management has concluded that the investment of 25% equity interest in Ever Clever does not fall within the definition of an associate under HKAS 28. Management made an irrevocable election to designate this investment at FVOCI, it is subsequently measured at fair value and change in fair value is recognised in other comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(e) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group measures a number of items at fair value:

- Financial assets at FVOCI and FVTPL (Note 21)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(f) Impairment assessment of investment in Illustrious Success (as defined in note 13) and its subsidiaries (the "Illustrious Group")

Determining whether investment in the Illustrious Group is impaired requires an estimation of the recoverable amount of the investment in the Illustrious Group. The Group has engaged an independent external valuer to carry out a valuation of the investment in the Illustrious Group as at 31 December 2024 based on the value in use calculations. The value in use calculation requires the management of the Group to estimate its share of the present value of the future cash flows expected to be generated by the Illustrious Group based on the cash flows from the operations of the Illustrious Group taking into account the estimated future cash flows expected to arise from the operation of the Illustrious Group and a suitable discount rate with reference to comparable companies. Where the value in use is less than or more than expected or upon the management's revision of estimated cash flows for the purpose of determining the value in use due to changes in conditions, facts and circumstances, an additional impairment loss or reversal of impairment loss may arise.

Note 13 provides detailed information about the valuation techniques and inputs used in the determination of the VIU of the Group's investment in the Illustrious Group.

As at 31 December 2024, the carrying amount of the Group's investment in the Illustrious Group was approximately RMB46,500,000. Impairment losses of approximately RMB3,415,000 has been recognised in consolidated profit or loss during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(g) Impairment of non-financial assets

The Group assesses at the end of each financial year whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the VIU and FVLCOD of the asset and cash generating unit to which the asset is allocated. Preparing the VIU and FVLCOD calculations require management to exercise significant judgement and make critical accounting estimates, particularly in relation to the determination of valuation techniques and the selection of inputs like projected cash flows during projection period, growth rates beyond the projection period and discount rates to discount the projected cash flows and cash flows beyond the projection period.

5 SEGMENT INFORMATION

The executive directors of the Company ("EDs") are chief operating decision-makers. EDs review the Group's internal reporting in order to assess performance and allocate resources. The Group has determined the operating segments based on the internal reports that are used by the EDs to make strategic decisions. The Group is principally engaged in the manufacture and sale of aerosol and related products and wholesales of personal care products and production related materials. The Group sells its products on contract manufacturing service basis mainly to overseas markets and on original brand manufacturing basis in the PRC market. All products are manufactured under the same production lines and distributed through distributors' network. The Group wholesales the personal care products and production related materials to business entities based in the PRC market. Result of investment activities are not material to be disclosed as a separate reportable operating segment. EDs review and assess performance of the Group on a combined basis and management concluded that there is only one reportable and operating segment.

5 SEGMENT INFORMATION *(Continued)*

Geographical information

The following tables present information on revenue and certain assets of the Group by geographical segment.

Revenue from external customers

	2024 *RMB'000*	2023 *RMB'000*
Mainland China	**667,713**	390,193
United States of America	**96,524**	151,558
Japan	**13,536**	12,704
Chile	**104,769**	136,728
Others	**24,304**	14,570
	906,846	705,753

The revenue information above is based on delivery location of the customers.

The amounts provided to the EDs with respect to total assets are measured in a manner consistent with that of consolidated financial statements.

The right-of-use assets, property, plant and equipment, prepayment for property, plant and equipment, intangible assets and investment in joint venture which are classified as non-current assets as at 31 December 2024 and 2023 are mainly located in the PRC.

5 SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from major customers, each of them accounted for 5% or more of the Group's revenue, are set out below:

	2024 *RMB'000*	2023 *RMB'000*
Customer A	**104,769**	114,000
Customer B	**95,965**	n/a*
Customer C	**84,336**	n/a*
Customer D	**75,921**	58,781
Customer E	**42,041**	n/a*
Customer F	**n/a***	72,826
Customer G	**n/a***	45,349
Customer H	**n/a***	45,273

* Revenue from this customer did not exceed 5% of the Group's total revenue for the year ended 31 December 2024 and 2023.

6 REVENUE, OTHER INCOME AND OTHER GAINS – NET

	2024 *RMB'000*	2023 *RMB'000*
Revenue		
Sales of goods	**906,846**	705,753
Other income		
Government grants *(Note)*	**3,143**	8,827
Technical service fee	**3,275**	3,302
Others	**435**	862
	6,853	12,991
Other gains – net		
Foreign exchange gain *(Note 10)*	**10,971**	3,829
Gain/(loss) on early termination of lease *(Note 14)*	**40**	(90)
Others	**54**	–
	11,065	3,739

Note: The Group received government grants in relation to the support of the Group's operations and the research and development cost in the PRC. There were no unfulfilled conditions in relation to the grants.

6 REVENUE, OTHER INCOME AND OTHER GAINS – NET *(Continued)*

Revenue and other income from contracts with customers – disaggregated revenue information:

	2024 *RMB'000*	2023 *RMB'000*
Revenue and other income under HKFRS 15		
Type of goods and services		
Sales of goods on contract manufacturing service ("CMS") basis *(Note i)*	**575,413**	420,645
Sales of goods on original brand manufacturing ("OBM") basis *(Note ii)*	**25,747**	75,240
Wholesales	**305,686**	209,868
Technical service	**3,275**	3,302
	910,121	709,055
Timing of revenue recognition		
Recognised on point in time basis		
– Sales of goods	**906,846**	705,753
Recognised on over time basis		
– Technical service fee	**3,275**	3,302
	910,121	709,055

Notes:

(i) The sales of CMS products relate to products which were manufactured by the Group and sold under the customers' brand names.

(ii) The sales of OBM products relate to products which were designed, developed and manufactured by the Group and sold under the Group's own or licensed brand names.

6 REVENUE, OTHER INCOME AND OTHER GAINS – NET *(Continued)*

The following table provides information about contract liabilities from contracts with customers.

	As at 31 December 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Contract liabilities	**57,518**	16,352

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

Movements in contract liabilities during the year ended 31 December 2024 and 2023:

	RMB'000
Balance at 1 January 2023	14,816
Revenue recognised in the year that was included in the contract liabilities balance at the beginning of year	(14,452)
Increase due to cash received, excluding amount recognised as revenue during the year	15,988
Balance at 31 December 2023 and 1 January 2024	16,352
Revenue recognised in the year that was included in the contract liabilities balance at the beginning of year	(15,355)
Increase due to cash received, excluding amount recognised as revenue during the year	56,521
Balance at 31 December 2024	57,518

The Group's contracts usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

The Group has taken advantage of the practical expedient to not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less.

7 PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging/(crediting):

	2024 *RMB'000*	2023 *RMB'000*
Depreciation and amortisation *(Note 14, 15, 17)*	**13,707**	16,084
Employee benefit expenses, excluding amount included in research and development costs	**47,171**	36,923
Research and development costs *(Note)*		
– Employee benefit expenses	**7,779**	6,839
– Materials and others, excluding depreciation and amortisation	**16,314**	12,971
Auditor's remuneration		
– Audit services	**980**	980
Short-term lease expense *(Note 14)*	**796**	1,481
Low value lease expense *(Note 14)*	**23**	71
Variable lease payments not included in the measurement of lease liabilities *(Note 14)*	**1,441**	2,208
(Gain)/loss on early termination of lease *(Note 14)*	**(40)**	90
Inventories written off	**128**	149
Loss on disposal of property, plant and equipment	**75**	45

Note: Research and development costs are included in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2024	2023
	RMB'000	*RMB'000*
Wages, allowances and bonus	**47,823**	39,405
Retirement scheme contribution	**5,420**	2,293
Others	**1,707**	2,064
	54,950	43,762

(a) Pensions – defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes based on 22.5% (2023: 22.5%) of the basic salary of eligible staff during the year ended 31 December 2024. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group Contributes 5% (2023: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK$1,500 per employee (2023: HK$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme or the PRC Retirement Schemes (as the case may be).

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2023: two) directors whose emoluments are reflected in the analysis in Note 40. The emoluments paid to the remaining three individuals (2023: three) during the year are as follows:

	2024	2023
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,579**	1,559
Retirement scheme contribution	**47**	47
	1,626	1,606

	Number of individuals	
	2024	2023
Emoluments bands		
Nil to HKD1,000,000	**3**	3

9 FINANCE COSTS – NET

	2024	2023
	RMB'000	*RMB'000*
Interest income	**883**	456
Foreign exchange gain *(Note 10)*	**2,301**	434
Interest expense		
– Bank and other borrowings*	**(32,972)**	(28,429)
– Interest on lease liabilities *(Note 14)*	**(520)**	(899)
– Note instrument	**–**	(1,018)
– Convertible bonds *(Note 31)*	**(6,311)**	(7,907)
– Amount capitalised in construction-in-progress	**31,122**	26,807
	(6,380)	(11,012)
Finance costs – net	**(5,497)**	(10,556)

Finance cost capitalised in construction in progress relate to finance costs incurred during the year on borrowing which provided funds generally and specifically for the purpose of obtaining the qualifying asset.

* Interest expense on bank and other borrowing included interest expense on sale and leaseback.

10 TOTAL FOREIGN EXCHANGE

	2024 *RMB'000*	2023 *RMB'000*
Included in:		
– Finance costs – net *(Note 9)*	**2,301**	434
– Other gains – net *(Note 6)*	**10,971**	3,829
Total	**13,272**	4,263

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are included in finance income or finance costs in the consolidated statement of profit or loss and other comprehensive income. All other foreign exchange gains and losses are included in other gains – net in the consolidated statement of profit or loss and other comprehensive income.

11 INCOME TAX EXPENSE

	2024 *RMB'000*	2023 *RMB'000*
Current income tax:		
Hong Kong profit tax	**328**	–
PRC corporate income tax	**8,561**	5,305
	8,889	5,305
Deferred income tax:		
PRC corporate income tax	**(1,278)**	(311)
PRC land appreciation tax ("LAT")	**(54)**	(54)
	(1,332)	(365)
	7,557	4,940

The Group was not subject to any income tax in the Cayman Islands.

11 INCOME TAX EXPENSE *(Continued)*

The provision of Hong Kong Profits Tax is calculated at a tax rate of 16.5% during the year ended 31 December 2024, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For that subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for profits tax in Hong Kong has been made as the Group has no assessable income for profits tax in Hong Kong during the year ended 31 December 2023.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), companies established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable. Zhejiang Ludao Technology Co., Ltd ("Ludao PRC") was accredited as a High and New Technology Enterprise enabling it to enjoy a preferential rate of 15% for the three years from 24 December 2022 to 23 December 2025.

For the year ended 31 December 2024 and 2023, the Group was entitled to claim an extra 100% in addition to the actual research and development expenses incurred as an incentive ("Super Deduction").

The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year ended 31 December 2024 and 2023.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales properties less deductible expenditures including the cost of land use rights and all property development expenditures.

11 INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group as follows:

	2024 *RMB'000*	2023 *RMB'000*
Profit before income tax	**58,840**	48,498
Add: share of results of a joint venture *(Note 13)*	**(408)**	(132)
	58,432	48,366
Tax calculated at the tax rate of 15% (2023: 15%)	**8,765**	7,255
Effect of different tax rates of other subsidiaries	**(1,486)**	(1,406)
Additional deductions for research and development expenses	**(3,248)**	(2,956)
Effects of income not taxable and expenses not deductible for tax purposes and others	**3,526**	2,047
	7,557	4,940

Pursuant to the CIT Law, a 10% withholding tax will be levied on the dividends declared by companies established in the PRC from profits generated after 1 January 2008 to their foreign investors. As at 31 December 2024, the Group did not recognise deferred tax liabilities on profits of RMB522,157,000 (2023: RMB468,200,000) generated from Ludao PRC after 1 January 2008 as no dividends would be declared by Ludao PRC out of those profits in the foreseeable future considering the cash flow requirements of the Group.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2024	2023
Profit attributable to owners of the Company *(RMB'000)*	**51,300**	43,580
Weighted average number of ordinary shares in issue	**491,800,000**	491,800,000
Basic and diluted earnings per share *(RMB per share)*	**0.10**	0.09

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2024 and 2023, diluted earnings per share is the same as basic earnings per share. There is no dilutive effect of the outstanding convertible bonds for the years ended 31 December 2024 and 2023, as they are anti-dilutive.

13 INVESTMENT IN A JOINT VENTURE

	2024 *RMB'000*	2023 *RMB'000*
As at 1 January	**49,500**	54,500
Share of results	**408**	132
Impairment loss on investment in a joint venture	**(3,415)**	(5,133)
Exchange adjustment	**7**	1
As at 31 December	**46,500**	49,500

As at 31 December 2024, the Group had interest in the joint venture which is accounted for using equity method in the consolidated financial statements.

Name	Form of business structure	Place of incorporation/ establishment	Particulars of issued shares held	Equity interest held		Principal activities and place of operation
				2024	2023	
Illustrious Success Limited ("Illustrious Success") *(Note)*	Limited liability company	The British Virgin Islands ("BVI")	5,000 ordinary shares of USD5,000	**50%**	50%	Investment holding, BVI

Note:

During the year ended 31 December 2017, the Group acquired 50% equity interest in Illustrious Success for a consideration of RMB52,000,000.

Illustrious Success is a company incorporated in BVI with limited liability and is engaged in investment holding. Its significant subsidiary, 朝陽廣華新能源技術有限公司 (Chaoyang Guanghua New Energy and Technology Limited*), is mainly engaged in supplying heat generated from thermal energy and sewage water in the PRC.

The proportion of ownership interest in Illustrious Success is the same as the proportion of voting rights held.

* The English name is for identification purpose only

13 INVESTMENT IN A JOINT VENTURE *(Continued)*

Summarised financial information for Illustrious Success:

	2024 *RMB'000*	2023 *RMB'000*
Current assets		
Cash and cash equivalents	**234**	9,944
Trade and other receivables	**32,065**	17,581
Total current assets	**32,299**	27,525
Non-current assets		
Payments for land use rights	**1,454**	1,497
Property, plant and equipment	**9,648**	12,193
Intangible asset (a)	**36,954**	38,805
Total non-current assets	**48,056**	52,495
Current liabilities		
Trade and other payables	**12,879**	13,118
Total current liabilities	**12,879**	13,118
Non-current liability		
Deferred income tax liabilities	**8,827**	9,290
Total non-current liability	**8,827**	9,290
Reconciliation to the Group's interest in the joint venture:		
Net assets	**58,649**	57,612
Less: Non-controlling interests	**(13,731)**	(13,510)
Net assets attributable to owners of the joint venture	**44,918**	44,102

(a) The intangible asset represented customer contracts of the joint venture acquired at acquisition of the joint venture. Upon application of the equity method of accounting, the customer contracts were recognised at their fair value of RMB51,000,000 at the date of acquisition and were subsequently amortised on a units of production basis based on the timing of the contracts over their useful lives of approximately 28 years.

13 INVESTMENT IN A JOINT VENTURE *(Continued)*

	2024 *RMB'000*	2023 *RMB'000*
Revenue	**17,215**	16,892
Depreciation and amortisation	**(4,261)**	(4,775)
Other operating expenses	**(12,282)**	(13,586)
Interest income	**3**	5
Income tax credit	**362**	1,797
Profit from operations	**1,037**	333
Other comprehensive income	**(2)**	–*
Total comprehensive income	**1,035**	333

* Represents the amount less than RMB1,000

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Illustrious Success is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Net assets attributable to owners of Illustrious Success	**44,918**	44,102
Group's share in %	**50%**	50%
Group's share	**22,459**	22,051
Goodwill	**37,097**	37,097
Exchange adjustment	**1,093**	1,086
Impairment loss recognised	**(14,149)**	(10,734)
Carrying amount	**46,500**	49,500

13 INVESTMENT IN A JOINT VENTURE *(Continued)*

Reconciliation of summarised financial information *(Continued)*

As at 31 December 2024 and 2023, the management of the Group carried out an impairment review on the carrying amount of its investment in joint venture by comparing the recoverable amount with the carrying amount of the investment in Illustrious Group. An impairment is recognised when the carrying amount of the investment in Illustrious Group exceeds its recoverable amount, which in turn is the higher of its value in use and its FVLCOD.

In determining the value in use of the investment in Illustrious Group, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and estimated terminal value, calculated at a discount rate of 13.6% (2023: 12.5%).

Below is a summary of significant unobservable inputs to the valuation of value in use of the investment in Illustrious Success together with a quantitative sensitivity analysis as at 31 December 2024:

Valuation technique	Significant unobservable inputs	Percentage	Relationship of unobservable inputs to fair value	Sensitivity
Discounted cash flow model	Weighted Average Cost of Capital ("WACC")	13.6%	The higher the expected WACC, the lower the fair value.	1% increase/decrease in muitiple would result in decrease/increase in fair value by RMB3,494,000 and RMB4,621,000, respectively
	Terminal growth rate	3%	The higher the expected terminal growth rate, the higher the fair value.	1% increase/decrease in muitiple would result in increase/decrease in fair value by RMB3,227,000 and RMB2,682,000, respectively

13 INVESTMENT IN A JOINT VENTURE *(Continued)*

Reconciliation of summarised financial information *(Continued)*

The valuation of the recoverable amount based on value in use of the investment in Illustrious Group as at 31 December 2024 was carried out by LF Corporate Advisory Limited, an independent and qualified valuer not connected to the Group.

In view of the low profitability of Illustrations Group, based on the impairment assessment as at 31 December 2024, the recoverable amount of the investment in a joint venture was lower than its carrying amount. Impairment loss on the investment in a joint venture of approximately RMB3,415,000 has been recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 to reduce the carrying amount of the investment in a joint venture to its recoverable amount of approximately RMB46,500,000.

In view of the low profitability of Illustrations Group, based on the impairment assessment as at 31 December 2023, the recoverable amount of the investment in a joint venture was lower than its carrying amount. Impairment loss on the investment in a joint venture of approximately RMB5,133,000 has been recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 to reduce the carrying amount of the investment in a joint venture to its recoverable amount of approximately RMB49,500,000.

14 LEASES

The Group as a lessee

(a) Right-of-use assets

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

	Land use rights *RMB'000*	Office premises, plant and machinery and director's quarter *RMB'000*	Total *RMB'000*
At 1 January 2023	41,308	27,343	68,651
Additions	–	687	687
Early termination of leases	–	(431)	(431)
Depreciation	(920)	(3,749)	(4,669)
Foreign exchange movements	–	5	5
At 31 December 2023 and 1 January 2024	40,388	23,855	64,243
Additions	35,257	2,914	38,171
Early termination of leases	–	(209)	(209)
Depreciation	(1,331)	(2,015)	(3,346)
Transfer to property, plant and equipment *(Note 15)*	–	(20,884)	(20,884)
Foreign exchange movements	–	9	9
At 31 December 2024	74,314	3,670	77,984

Note:

Lump sum payments were made upfront to acquire the land use rights with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of their use.

In addition, the Group leases a number of properties in Mainland China and Hong Kong in which it operates. Leases of properties generally have lease terms of between 1 and 5 years.

As at 31 December 2024, the Group's land use rights with an aggregate net carrying amount of RMB74,314,000 (2023: RMB40,388,000) were pledged to secure bank borrowings (Note 32).

During the year ended 31 December 2024, the Group's right-of-use assets with an aggregate net carrying amount of RMB20,884,000 were transferred to plant and machinery upon the completion of a finance lease contract (2023: Nil).

14 LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

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

	2024 *RMB'000*	2023 *RMB'000*
At 1 January	**7,761**	15,037
Additions	**2,914**	687
Early termination of lease	**(249)**	(341)
Interest expense	**520**	899
Lease payments	**(7,746)**	(8,526)
Foreign exchange movements	**9**	5
At 31 December	**3,209**	7,761

Future lease payments are due as follows:

	Future lease payments 31 December 2024 *RMB'000*	Interest 31 December 2024 *RMB'000*	Present value 31 December 2024 *RMB'000*
Not later than one year	**1,491**	**(230)**	**1,261**
Later than one year and not later than two years	**1,314**	**(102)**	**1,212**
Later than two years and not later than five years	**792**	**(56)**	**736**
	3,597	**(388)**	**3,209**

14 LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

	Future lease payments 31 December 2023 *RMB'000*	Interest 31 December 2023 *RMB'000*	Present value 31 December 2023 *RMB'000*
Not later than one year	6,701	(328)	6,373
Later than one year and not later than two years	742	(79)	663
Later than two years and not later than five years	742	(17)	725
	8,185	(424)	7,761

The present value of future lease payments are analysed as:

	2024 **RMB'000**	2023 *RMB'000*
Current liabilities	**1,261**	6,373
Non-current liabilities	**1,948**	1,388
	3,209	7,761

14 LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amount recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets *(Note 7)*	**3,346**	4,669
Interest on lease liabilities *(Note 9)*	**520**	899
Short-term lease expense *(Note 7)*	**796**	1,481
Low-value lease expense *(Note 7)*	**23**	71
Variable lease payments not included in the measurement of lease liabilities *(Note 7)*	**1,441**	2,208
(Gain)/loss on early termination of lease *(Note 6)*	**(40)**	90
	6,086	9,418

The Group as a lessor

As at 31 December 2024 and 2023, the Group did not enter into any lease agreement as a lessor.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office furniture and equipment	Motor vehicles	Renovation	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023							
Cost	79,534	50,300	29,941	16,704	–	422,320	598,799
Accumulated depreciation	(31,725)	(30,089)	(16,061)	(5,187)	–	–	(83,062)
Net book amount	47,809	20,211	13,880	11,517	–	422,320	515,737
Year ended 31 December 2023							
Opening net book amount	47,809	20,211	13,880	11,517	–	422,320	515,737
Additions	392	1,355	643	198	1,200	115,263	119,051
Disposal	–	(55)	–	(17)	–	–	(72)
Transfer	498	–	–	–	–	(498)	–
Transfer from investment property *(Note 16)*	12,100	–	–	–	–	–	12,100
Depreciation *(Note 7)*	(3,340)	(3,327)	(3,213)	(1,200)	(240)	–	(11,320)
Closing net book amount	57,459	18,184	11,310	10,498	960	537,085	635,496
At 31 December 2023							
Cost	92,524	51,428	30,584	16,726	1,200	537,085	729,547
Accumulated depreciation	(35,065)	(33,244)	(19,274)	(6,228)	(240)	–	(94,051)
Net book amount	57,459	18,184	11,310	10,498	960	537,085	635,496
Year ended 31 December 2024							
Opening net book amount	57,459	18,184	11,310	10,498	960	537,085	635,496
Additions	203	834	984	72	–	152,934	155,027
Disposal	–	(81)	(8)	(11)	–	–	(100)
Transfer from right-of use assets *(Note 14)*	–	20,884	–	–	–	–	20,884
Depreciation *(Note 7)*	(2,795)	(3,150)	(2,806)	(1,268)	(240)	–	(10,259)
Closing net book amount	54,867	36,671	9,480	9,291	720	690,019	801,048
At 31 December 2024							
Cost	92,361	73,663	31,486	16,687	1,200	690,019	905,416
Accumulated depreciation	(37,494)	(36,992)	(22,006)	(7,396)	(480)	–	(104,368)
Net book amount	54,867	36,671	9,480	9,291	720	690,019	801,048

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of construction in progress of approximately RMB690,019,000 (2023: RMB537,085,000) related to buildings, plant and machinery and office furniture and equipment under construction in Taizhou, the PRC, will be depreciated once the construction work is completed and available for use.

As at 31 December 2024, the Group's buildings and construction in progress with an aggregate net carrying amount of RMB20,499,000 (2023: RMB21,469,000) and RMB625,315,000 (2023: RMB534,512,000) respectively, were pledged to secure bank borrowings (Note 32).

As at 31 December 2024, the Group's plant and machinery with an aggregate net carrying amount of RMB42,050,000 (2023: RMB5,745,000) were held under sale and leaseback liabilities as set out in Note 32.

During the year ended 31 December 2024, the Group's right-of-use assets with an aggregate net carrying amount RMB20,884,000 were transferred to plant and machinery upon the completion of a finance lease contract (2023: Nil).

As at 1 January 2023, the investment property originally held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property through sale was transferred to property, plant and equipment upon the commencement of owner-occupation which the fair value is RMB12,100,000 at the date of transfer.

16 INVESTMENT PROPERTY

	2024 ***RMB'000***	2023 *RMB'000*
At 1 January	**–**	12,100
Transferred to property, plant and equipment *(Note 15)*	**–**	(12,100)
At 31 December	**–**	–

As at 1 January 2023, the investment property originally held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property through sale was transferred to property, plant and equipment upon the commencement of owner-occupation which the fair value is RMB12,100,000 at the date of transfer.

As at 31 December 2024 and 2023, the Group had no investment property.

17 INTANGIBLE ASSETS

	Computer software *RMB'000*	Patents *RMB'000*	Development cost *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2023	801	750	500	2,051
Addition	–	–	1,063	1,063
At 31 December 2023 and 1 January 2024	801	750	1,563	3,114
Addition	–	–	84	84
At 31 December 2024	801	750	1,647	3,198
Accumulated amortisation				
At 1 January 2023	665	750	–	1,415
Amortisation	95	–	–	95
At 31 December 2023 and 1 January 2024	760	750	–	1,510
Amortisation	34	–	68	102
At 31 December 2024	794	750	68	1,612
Net book value				
At 31 December 2024	7	–	1,579	1,586
At 31 December 2023	41	–	1,563	1,604

Amortisation had been charged in administrative and other operating expenses.

18 INVENTORIES

	2024 *RMB'000*	2023 *RMB'000*
Raw materials	**23,637**	22,838
Work in progress	**591**	217
Finished goods	**33,365**	25,580
	57,593	48,635

The cost of inventories included in cost of sales during the year ended 31 December 2024 amounted to RMB762,481,000 (2023: RMB571,045,000).

During the year ended 31 December 2024, the Group did not make or reverse any provision for inventories (2023: Nil).

19 TRADE AND OTHER RECEIVABLES

	2024 *RMB'000*	2023 *RMB'000*
Non-current		
Deposits	**64**	–
Current		
Trade receivables, net (a)	**204,249**	193,767
Other receivables, net (b)	**28,365**	27,759
Prepayments (c)	**273,601**	140,890
Deposits, net (d)	**1,813**	895
	508,028	363,311
	508,092	363,311

19 TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2024 *RMB'000*	2023 *RMB'000*
RMB	**422,906**	264,163
USD	**84,363**	99,074
HKD	**823**	74
	508,092	363,311

The fair values of trade and other receivables approximate to their carrying values as at the end of the reporting period.

(a) Trade receivables, net

The credit period granted to customers is generally between 0 to 360 days (2023: 0 to 360 days). The ageing analysis of the trade receivables from the date of sales is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Up to 3 months	**110,787**	142,311
3 to 6 months	**50,249**	15,715
6 to 12 months	**15,914**	25,849
Over 12 months	**41,475**	18,833
	218,425	202,708
Loss allowance for impairment	**(14,176)**	(8,941)
	204,249	193,767

The Group's sales are mainly made to several major customers and there is a concentration of credit risks. Sales of goods to the top five customers constituted 44% (2023: 48%) of the Group's revenue for the year. They accounted for 74% (2023: 67%) of the gross trade receivable balances as at 31 December 2024.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables, net *(Continued)*

As at 31 December 2024, trade receivables with gross carrying amount of approximately RMB90,054,000 (2023: RMB72,426,000) were past due.

The Group and the Company recognised impairment loss based on the accounting policy in Note 2.10.2.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, from the date of sales, as of the end of reporting period.

	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**108,498**	138,644
3 to 6 months	**49,290**	15,602
6 to 12 months	**15,778**	25,598
Over 12 months	**30,683**	13,923
	204,249	193,767

The movements in loss allowance for impairment of trade receivables were as follows:

	RMB'000
At 1 January 2023	10,601
Reversal of impairment losses recognised	(1,660)
At 31 December 2023 and 1 January 2024	8,941
Impairment losses recognised	5,235
At 31 December 2024	14,176

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables, net *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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.

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

	Expected loss rate *(%)*	Gross carrying amount *(RMB'000)*	Loss allowance *(RMB'000)*
Current (not past due)	1.71	128,371	2,194
1-30 days past due	1.86	14,916	277
31-90 days past due	2.26	17,325	391
91-365 days past due	12.02	40,970	4,925
1 year past due	7.06	10,762	760
2-3 years past due	87.23	3,539	3,087
3 years past due	100.00	2,542	2,542
		218,425	14,176

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables, net *(Continued)*

As at 31 December 2023

	Expected loss rate *(%)*	Gross carrying amount *(RMB'000)*	Loss allowance *(RMB'000)*
Current (not past due)	1.65	130,282	2,155
1-30 days past due	3.59	64,510	2,317
31-90 days past due	0.47	1,269	6
91-365 days past due	38.95	516	201
1 year past due	47.04	3,467	1,631
2-3 years past due	87.06	255	222
3 years past due	100.00	2,409	2,409
		202,708	8,941

(b) Other receivables, net

	2024 **RMB'000**	2023 *RMB'000*
Government grants receivable	**24,852**	23,447
Amount due from third parties *(Note)*	**845**	748
Other tax receivables	**955**	2,474
Others	**1,713**	1,090
	28,365	27,759

Note: The amount due from third parties are unsecured, interest-free and repayable on demand.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables, net *(Continued)*

The movements in loss allowance for impairment of other receivables were as follows:

	RMB'000
At 1 January 2023	1,824
Impairment losses recognised	1,452
Exchange adjustment	33
At 31 December 2023 and 1 January 2024	3,309
Reversal of impairment losses recognised	(13)
Exchange adjustment	67
At 31 December 2024	3,363

(c) Prepayments

Prepayments are mainly advance payments to suppliers for raw materials.

(d) Deposits, net

Deposits mainly represent rental deposits and deposits with suppliers for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

The movements in loss allowance for impairment of deposits were as follows:

	RMB'000
At 1 January 2023	83
Reversal of impairment losses recognised	(83)
Exchange adjustment	–
At 31 December 2023, 1 January 2024 and 31 December 2024	–

20 PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2024 and 2023, prepayments for construction in progress, and plant and equipment represent advances made under construction contracts and purchases contracts for the development of production plant in the PRC.

21 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL

A. Financial Asset at FVOCI

(i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more appropriate.

(ii) Equity investment in Ever Clever Group Limited ("Ever Clever")

	2024 ***RMB'000***	2023 *RMB'000*
Non-current		
Unlisted equity securities		
Ordinary shares – Ever Clever	**–**	–

The Group designated the equity investment in Ever Clever as a financial asset at FVOCI upon initial recognition as the investment is not held for trading.

25% equity interest in Ever Clever was initially recognised of approximately RMB152,155,000 at 8 January 2018. During the year ended 31 December 2024, there was no change in fair value of the financial asset at FVOCI (2023: no change in fair value of the financial asset at FVOCI).

As 懷來縣恒吉熱力有限公司 (Huailai Hengji Heat Supply Limited Company) (the "HGRL") (the subsidiary of Ever Clever) has been taken over by another entity appointed by the Huailai county government since September 2020, the Directors of the Company considered that the takeover may be sustained and the HGRL's financial position was in doubt. In addition, HGRL had significant overdue payables as at 31 December 2023 and 2024 based on litigation search records. Therefore, net asset value approach was adopted to assess the fair value of 25% equity interest in Ever Clever.

21 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL *(Continued)*

A. Financial Asset at FVOCI *(Continued)*

(ii) Equity investment in Ever Clever Group Limited ("Ever Clever") *(Continued)*

Information about fair value measurement using significant unobservable inputs (Level 3):

	Valuation technique	Significant of unobservable inputs	Range/Amount 2024	Range/Amount 2023	Sensitivity of fair value to the input
Unlisted equity securities – Ever Clever	Net asset value approach	Distress discount (including consideration of lack of marketability)	**66.35%**	66.35%	5% increase/(decrease) in distress discount would result in (decrease)/ increase in fair value by Nil (2023: Nil)
		Minority discount	**21.60%**	21.60%	5% increase/(decrease) in minority discount would result in (decrease)/ increase in fair value by Nil (2023: Nil)

B. Financial Assets at FVTPL

	2024 *RMB'000*	2023 *RMB'000*
Non-current		
Equity investment *(Note ii)*	**2,000**	2,000
Current		
Profit guarantee in respect of investment in 25% equity interests of Ever Clever (the "Profit Guarantee") *(Note i)*	**–**	–

21 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL *(Continued)*

B. Financial Assets at FVTPL *(Continued)*

Notes:

(i) During the year ended 31 December 2018, the Group acquired 25% equity interest of Ever Clever, which Perfect Century Group Limited (the "EC Vendor") irrevocably guaranteed the Group that, for each of the three consecutive twelve-month periods ending on 31 March 2020, the audited net profit after tax of HGRL, a non wholly-owned subsidiary of Ever Clever, in accordance with the HKFRS Accounting Standards should not be less than RMB55 million for the period from 1 April 2017 to 31 March 2018, RMB65 million for the period from 1 April 2018 to 31 March 2019 and RMB75 million for the period from 1 April 2019 to 31 March 2020 (the "Guaranteed Profit"). The Profit Guarantee represented the fair value of the amount of shortfall between the respective actual profit or loss and the Guaranteed Profit to be received by the Group if the Ever Clever failed to meet the Guaranteed Profit. Details of the Profit Guarantee were disclosed in the Company's announcement on 29 November 2017.

The Profit Guarantee contracted with the EC Vendor was recognised as a derivative financial instrument under HKFRS 9 and accounted for in accordance with Note 2.10.5.

During the year ended 31 December 2020, the Directors of the Company acted as plaintiff to commence the legal proceedings in the High Court of Hong Kong on 2 November 2020 against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the sale and purchase agreement dated 29 November 2017 ("Sale and Purchase Agreement") to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfilment of the Profit Guarantee. Based on the unknown willingness and ability of the EC Vendor fulfilling the Profit Guarantee, the Directors of the Company re-assessed the valuation techniques of the fair value of the Profit Guarantee and concluded that given the current situation, EC Vendor was in default of its obligations under the Profit Guarantee arrangement and the default model was adopted for the year ended 31 December 2024 and 2023. The fair value of the Profit Guarantee as at 31 December 2024 was estimated by applying the income approach at a discount rate of 12% (2023: 12%). The fair value of the Profit Guarantee was derived based on default model due to the substantial default risk of the EC Vendor.

The estimated compensation amount under the terms and conditions of the Profit Guarantee, the expected default rate and expected recovery rate were considered in the cash flow forecast. Change in the fair value of the Profit Guarantee of Nil (2023: Nil) was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income (Note 6).

21 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL *(Continued)*

B. Financial Assets at FVTPL *(Continued)*

Notes: (Continued)

(i) *(Continued)*

Information about fair value measurement using significant unobservable inputs (Level 3):

	Valuation technique	Significant of unobservable inputs	Range/Amount 2024	Range/Amount 2023	Sensitivity of fair value to the input
Profit Guarantee	Default model	Expected default rate	**100%**	100%	10% increase/(decrease) in expected default rate would result in (decrease)/ increase in fair value by Nil (2023: Nil)
		Expected recovery rate	**0%**	0%	10% increase in expected recovery rate would result in increase in fair value by RMB282,750,000 (2023: RMB282,750,000)

(ii) Equity investment

The balance as at 31 December 2024 and 2023 represented unlisted equity investment in 10% equity interest of a private company incorporated in PRC.

No change in the fair value of the financial asset at FVTPL was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 and 2023.

In determining fair value, specific valuation techniques (market approach) are used. Information about fair value measurement using significant unobservable inputs (Level 3):

	Valuation technique	Significant of unobservable inputs	Amount	Relationship of Unobservable inputs to fair value	Sensitivity of fair value to the input
Equity investment	Market model	*EV/S ratio	0.30x	The higher EV/S ratio, the higher the fair value.	5% increase/decrease in EV/S ratio would result in increase/ decrease in fair value by RMB102,000 (2023: RMB106,000)
		Discount for lack of marketability ("DLOM")	15.6%	The higher DLOM, the lower the fair value.	5% increase/decrease in DLOM would result in decrease/increase in fair value by RMB20,000 (2023: RMB21,000)

* EV/S ratio stands for Enterprise Value to Sale Ratio

22 CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash at banks and on hand	**32,087**	31,579
Cash and cash equivalents	**32,087**	31,579

Cash at banks and on hand are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	**29,593**	16,385
HKD	**672**	199
USD	**1,822**	14,995
	32,087	31,579

The Group had cash and cash equivalents denominated in RMB of approximately RMB29,593,000 (2023: RMB16,385,000) and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk.

23 PLEDGED BANK DEPOSITS

Pledged bank deposits represented bank deposits placed as guarantee deposits for issuing notes payable (Note 29(b)) with an aggregate carrying amount of approximately RMB69,990,000 (2023: RMB45,559,000) and secure the Group's banking facilities (Note 32) with an aggregate carrying amount of approximately RMB15,099,000 (2023: RMB9,876,000).

The effective interest rate of pledged bank deposits was 0.51% (2023: 1.25%) per annum at 31 December 2024. All pledged bank deposits were denominated in RMB and USD, and kept with banks in the PRC and Hong Kong.

Notes to the Consolidated Financial Statements

24 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost		Assets at FVOCI		Assets at FVTPL		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
At 31 December								
Assets as per consolidated statement of financial position								
Trade and other receivables (excluding prepayments, government grant receivables and other tax receivables)	**208,684**	196,500	**–**	–	**–**	–	**208,684**	196,500
Financial assets at FVTPL	**–**	–	**–**	–	**2,000**	2,000	**2,000**	2,000
Cash and cash equivalents	**32,087**	31,579	**–**	–	**–**	–	**32,087**	31,579
Pledged bank deposits	**85,089**	55,435	**–**	–	**–**	–	**85,089**	55,435
Total	**325,860**	283,514	**–**	–	**2,000**	2,000	**327,860**	285,514

	Liabilities at amortised cost		Total	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 31 December				
Liabilities as per consolidated statement of financial position				
Bank and other borrowings	**637,546**	621,973	**637,546**	621,973
Convertible bonds	**–**	83,235	**–**	83,235
Trade and other payables (excluding other taxes payable)	**531,104**	231,153	**531,104**	231,153
Lease liabilities	**3,209**	7,761	**3,209**	7,761
Total	**1,171,859**	944,122	**1,171,859**	944,122

25 SHARE CAPITAL AND SHARE PREMIUM

	31 December 2024 and 2023	
	Number of shares *(thousands)*	*HKD'000*
Authorised capital:		
Ordinary shares of HKD0.01 each	**2,000,000**	**20,000**

	Issued and fully paid: *Number of ordinary shares (of HKD0.01 each)*	Share capital *RMB'000*	Share premium *RMB'000*
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	491,800,000	3,901	150,143

All shares issued rank pari passu against each other. There are no changes in the issued capital of the Company at the years ended 31 December 2024 and 2023.

26 FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2024, the Company has executed two guarantees (2023: one) to the financial institution in the amount not exceeding RMB55,377,000 (2023: RMB41,000,000) to secure the bank borrowings (Note 32) borrowed by a wholly-owned subsidiary, totalling approximately RMB41,567,000 (2023: RMB29,000,000).

As at 31 December 2024, a wholly-owned subsidiary has executed a guarantee (2023: one) to a financial institution to secure the facilities available to the Company in the amount not exceeding USD7,000,000 (equivalent to approximately RMB50,319,000) (2023: USD7,000,000 (equivalent to approximately RMB49,579,000)). As at 31 December 2023 and 2024, all banking facilities of this guarantee was utilised.

27 OTHER RESERVES OF THE GROUP

	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	8,986	28,029	46,637	(152,155)	(6,344)	7,176	7,247	(60,424)
Profit appropriation (a)	–	–	6,344	–	–	–	–	6,344
Transaction with non-controlling interests *(Note 36)*	–	–	–	–	–	–	(2,560)	(2,560)
Currency translation differences	–	–	–	–	(4,474)	–	–	(4,474)
At 31 December 2023 and 1 January 2024	8,986	28,029	52,981	(152,155)	(10,818)	7,176	4,687	(61,114)
Profit appropriation (a)	–	–	5,995	–	–	–	–	5,995
Derecognition of equity component of convertible bonds *(Note 31)*	–	–	–	–	–	(7,176)	–	(7,176)
Currency translation differences	–	–	–	–	(13,453)	–	–	(13,453)
At 31 December 2024	8,986	28,029	58,976	(152,155)	(24,271)	–	4,687	(75,748)

(a) In accordance with relevant laws and regulations of the PRC, Ludao PRC should make appropriation of not less than 10% of its net income after tax to legal reserve. Further appropriation is optional when the accumulated statutory reserve reaches 50% or more of its registered capital. Upon approval from the board of directors, the statutory reserves can be used to offset accumulated losses of Ludao PRC.

28 DEFERRED GOVERNMENT GRANTS

	2024 ***RMB'000***	2023 *RMB'000*
At 1 January	**9,808**	10,223
Recognised to consolidated profit or loss	**(322)**	(415)
At 31 December	**9,486**	9,808

The amount mainly represents various government grants received for subsidising its investments in fixed assets.

29 TRADE AND OTHER PAYABLES

	2024 *RMB'000*	2023 *RMB'000*
Trade payables (a)	**182,082**	121,182
Notes payable (b)	**149,159**	77,750
	331,241	198,932
Other payables:		
Deposit received from customers	**3,087**	1,876
Other taxes payable	**44**	815
Accrued salaries and wages	**4,117**	3,439
Accrued interest	**506**	495
Accrued expenses and others	**192,153**	26,411
	531,148	231,968

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2024 *RMB'000*	2023 *RMB'000*
RMB	**530,432**	231,268
HKD	**465**	455
USD	**251**	245
	531,148	231,968

The fair values of trade and other payables approximated to their carrying values as at the year end dates.

29 TRADE AND OTHER PAYABLES *(Continued)*

(a) The ageing analysis of trade payables by invoice date is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Up to 3 months	**86,428**	98,918
3 to 6 months	**67,082**	9,549
6 to 12 months	**17,191**	1,129
Over 12 months	**11,381**	11,586
	182,082	121,182

The credit period granted by the Group's suppliers ranges from 0 to 90 days.

(b) Notes payables represented bank acceptance notes, which were subject to surcharge ranging from 0% to 0.06% (2023: 0% to 0.06%) of the face value of the notes, with maturity dates from 29 January 2025 to 24 September 2025 (2023: from 12 January 2024 to 22 June 2024).

As at 31 December 2024 and 2023, note payables were secured by pledged bank deposits (Note 23) of the Group with an aggregate carrying amount of approximately RMB69,990,000 (2023: RMB45,559,000), and guaranteed by a director of the Group and a close family member of director of the Group.

30 NOTE

	2024 *RMB'000*	2023 *RMB'000*
Current	**–**	–

During the year ended 31 December 2018, the Company issued 2-year note at total par value of HKD120,000,000 with coupon rate of 9.00% per annum (the "Note"). The total net proceeds after issuance costs were RMB101,397,544 and the effective interest rate is 11.03% per annum. The Note is secured and guaranteed by Mr. Yu Yuerong, a Director of the Company and is secured by a share charge over 25% equity interest in Ever Clever.

30 NOTE *(Continued)*

During the year ended 31 December 2022, the Company, Prosper One, Mr. Yu and the Note Purchaser entered into a supplemental deed in relation to the further extension of maturity date of the remaining portions of the Note that were yet to be redeemed from 15 March 2022 to 15 March 2023. The Company has redeemed a portion of the Note in the principal amount of HKD12,000,000 (equivalent to approximately RMB10,262,000), and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 15 March 2022. Based on the supplemental deed dated 25 March 2022, the Company has undertaken to redeem another portion of the Note in the principal amount of HKD8,000,000 (equivalent to approximately RMB6,842,000), and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 15 September 2022, which was settled by the Company on 14 September 2022.

Based on the assessment performed by the Group, the modifications were regarded as non-substantial modifications. The net gain on modifications of Note of approximately RMB1,364,000 was recognised in consolidated profit or loss at the date of modification for the year ended 31 December 2022.

On 13 March 2023, the Company settled the remaining portion of the Note in the principal amount of HKD40,000,000 (equivalent to approximately RMB36,328,000) and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note.

The Company may at any time before the maturity dates redeem the Note (in whole or in part) at 100% of the total principal amounts together with payment of interests, outstanding administrative fee and all outstanding amounts payable by the Company to noteholder accrued up to the date of such early redemption.

31 CONVERTIBLE BONDS

On 4 October 2021, the Company completed the issuance of convertible bonds (the "Convertible Bonds due 2024") in an aggregate principal amount of HK$93,300,000 (equivalent to approximately RMB77,224,000).

The Convertible Bonds due 2024 is denominated in HKD, bear interest at the rate of 5.87% per annum, payable semi-annually in arrears, and will be matured on three years from the issue date. The holders of Convertible Bonds due 2024 shall have a right to convert the Convertible Bonds due 2024 into ordinary shares of the Company at the conversion price of HKD2.00 per share during the conversion period. The effective interest rate of the liability component of the Convertible Bonds due 2024 is 9.75% per annum.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	Convertible Bonds due 2024		
	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	79,084	7,176	86,260
Interest expense *(Note 9)*	7,907	–	7,907
Repayment	(4,925)	–	(4,925)
Foreign exchange movements	1,169	–	1,169
At 31 December 2023 and 1 January 2024	83,235	7,176	90,411
Interest expense *(Note 9)*	6,311	–	6,311
Repayment	(89,986)	–	(89,986)
Foreign exchange movements	440	–	440
Transfer to retained earnings due to maturity	–	(7,176)	(7,176)
At 31 December 2024	–	–	–

31 CONVERTIBLE BONDS *(Continued)*

The Group's Convertible Bonds due 2024 were valued by an independent valuer by using binomial option pricing model with the following key assumptions at the issuance date of the Convertible Bonds due 2024:

	2021
Stock price of the Company	HKD1.25
Volatility	39.0%
Risk-free interest rate	0.41%
Bond discount rate	9.75%

32 BANK AND OTHER BORROWINGS

	2024 *RMB'000*	2023 *RMB'000*
Non-current		
Secured and guaranteed interest-bearing bank borrowings repayable more than one year *(Note (i) & (ii))*	**276,424**	304,544
Sales and leaseback *(Note (iii))*	**2,654**	6,570
	279,078	311,114
Current		
Secured and guaranteed interest-bearing bank borrowings repayable within one year *(Note (i) & (ii))*	**278,562**	280,909
Unsecured and guaranteed interest-bearing bank borrowings repayable within one year *(Note (ii))*	**53,167**	9,800
Unsecured and unguaranteed interest-bearing bank borrowings repayable within one year	**10,000**	10,000
Sales and leaseback *(Note (iii))*	**16,739**	10,150
	358,468	310,859

32 BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(i) The bank borrowings are secured by:

(a) building with an aggregate net carrying amount of approximately RMB20,499,000 as at 31 December 2024 (2023: RMB21,469,000) as disclosed in Note 15;

(b) construction in progress with an aggregate carrying amount of approximately RMB625,315,000 as at 31 December 2024 (2023: RMB534,512,000) as disclosed in Note 15;

(c) land use rights with an aggregate net carrying amount of approximately RMB74,314,000 as at 31 December 2024 (2023: RMB40,388,000) as disclosed in Note 14;

(d) pledged bank deposits with an aggregate carrying amount of approximately RMB15,099,000 as at 31 December 2024 (2023: RMB9,876,000) as disclosed in Note 23; and

(e) property, plant and equipment of the supplier of the Group as at 31 December 2023.

(ii) The bank borrowings are guaranteed by:

(a) a director of the Group;

(b) a close family member of directors of the Group; and

(c) a supplier of the Group.

(iii) As at 31 December 2024, the Group's plant and machinery with an aggregate net carrying amount of RMB42,050,000 (2023: RMB5,745,000) were held under sale and leaseback liabilities disclosed in Note 15.

The exposure of the Group's bank borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, is within one year.

The annual weighted average effective interest rate as at 31 December 2024 was 4.78% (2023: 4.82%).

At the end of the reporting period, the Group's bank borrowings are scheduled to repay as follows:

	2024 *RMB'000*	2023 *RMB'000*
On demand or within one year	**341,729**	300,709
More than one year, but not exceeding two years	**40,144**	28,120
More than two years, but not exceeding five years	**170,667**	150,551
More than five years	**65,613**	125,873
	618,153	605,253

32 BANK AND OTHER BORROWINGS *(Continued)*

At the end of the reporting period, the Group's sale and leaseback liabilities are scheduled to repay as follows:

	2024	2023
	RMB'000	*RMB'000*
On demand or within one year	**16,739**	10,150
More than one year, but not exceeding two years	**2,654**	6,570
More than two years, but not exceeding five years	**–**	–
	19,393	16,720

The exposure of the Group's interest-bearing bank borrowings are as follows:

	2024	2023
	RMB'000	*RMB'000*
Fixed-rate bank borrowings	**417,710**	408,290
Floating-rate bank borrowings	**219,836**	213,683
	637,546	621,973

The carrying amounts of bank borrowings are denominated in the following currencies:

	2024	2023
	RMB'000	*RMB'000*
USD	**50,443**	49,363
RMB	**587,103**	572,610
	637,546	621,973

The carrying amounts of bank borrowings approximate to their fair values and the impact of discounting is not material.

33 DEFERRED TAX

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Government grants payable	ECL allowance	Lease liabilities	Right-of-use assets	Fair value adjustment on investment property	Accelerated tax depreciation	Fair value adjustment on financial asset at FVTPL	LAT	Fair value adjustment on land use right	Fair value adjustment on property, plant and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	35	1,821	(977)	977	(1,010)	–	(250)	(1,897)	(1,918)	(3,466)	(6,685)
Reclassification upon transfer of investment properties to property, plant and equipment	–	–	–	–	1,010	(1,010)	–	–	–	–	–
(Charged)/credited to the consolidated profit or loss	(19)	223	385	(417)	–	83	–	54	41	15	365
At 31 December 2023 and 1 January 2024	16	2,044	(592)	560	–	(927)	(250)	(1,843)	(1,877)	(3,451)	(6,320)
(Charged)/credited to the consolidated profit or loss	(5)	730	(211)	226	–	497	–	54	41	–	1,332
As at 31 December 2024	11	2,774	(803)	786	–	(430)	(250)	(1,789)	(1,836)	(3,451)	(4,988)

(ii) Reconciliation to the consolidated statement of financial position

	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets	**2,768**	2,028
Deferred tax liabilities	**(7,756)**	(8,348)
	(4,988)	(6,320)

34 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2024 (2023: Nil).

35 CASH FLOWS INFORMATION

(i) Reconciliation of profit before income tax to cash generated from operations

	2024 *RMB'000*	2023 *RMB'000*
Profit before income tax	**58,840**	48,498
Adjustments for:		
Interest income *(Note 9)*	**(883)**	(456)
Interest expense *(Note 9)*	**8,681**	11,446
Depreciation of property, plant and equipment *(Note 15)*	**10,259**	11,320
Inventories written off *(Note 7)*	**128**	149
Share of results of a joint venture *(Note 13)*	**(408)**	(132)
Impairment loss on investment in a joint venture *(Note 13)*	**3,415**	5,133
Depreciation of right-of-use assets *(Note 14)*	**3,346**	4,669
Amortisation of intangible assets *(Note 17)*	**102**	95
Impairment losses/(reversal of impairment loss) on trade receivables, other receivables and deposits	**5,222**	(291)
Deferred government grants income *(Note 28)*	**(322)**	(415)
Loss on disposals of property, plant and equipment	**75**	45
(Gain)/loss on early termination of lease *(Note 6)*	**(40)**	90
Changes in working capital:		
Increase in trade and other receivables	**(148,686)**	(118,007)
(Increase)/decrease in inventories	**(9,086)**	1,136
Increase in trade and other payables and contract liabilities	**269,304**	69,058
Cash generated from operations	**199,947**	32,338

35 CASH FLOWS INFORMATION *(Continued)*

(ii) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings *(Note 32)* *RMB'000*	Interest payable *(Note 29)* *RMB'000*	Notes payables *(Note 29(b))* *RMB'000*	Convertible bonds – liability component *(Note 31)* *RMB'000*	Lease liabilities *(Note 14)* *RMB'000*	Total *RMB'000*
At 1 January 2024	**621,973**	**495**	**77,750**	**83,235**	**7,761**	**791,214**
Changes from cash flows:						
Proceeds from bank and other borrowings	354,339	–	–	–	–	354,339
Repayment of bank and other borrowings	(339,689)	–	–	–	–	(339,689)
Interest paid	–	(32,972)	–	–	(520)	(33,492)
Proceeds from notes payable	–	–	268,139	–	–	268,139
Repayment of notes payable	–	–	(196,730)	–	–	(196,730)
Repayment of convertible bonds	–	–	–	(89,986)	–	(89,986)
Repayment of principal portion of lease liabilities	–	–	–	–	(7,226)	(7,226)
Total changes from financing cash flows:	14,650	(32,972)	71,409	(89,986)	(7,746)	(44,645)
Foreign exchange adjustments:	923	11	–	440	9	1,383
Other changes:						
Interest expenses (non-cash)	–	1,850	–	6,311	520	8,681
Finance cost capitalised in construction-in-progress (non-cash)	–	31,122	–	–	–	31,122
Addition of lease liabilities (non-cash)	–	–	–	–	2,914	2,914
Termination of lease (non-cash)	–	–	–	–	(249)	(249)
Total other changes	923	32,983	–	6,751	3,194	43,851
At 31 December 2024	**637,546**	**506**	**149,159**	**–**	**3,209**	**790,420**

35 CASH FLOWS INFORMATION *(Continued)*

(ii) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank and other borrowings *(Note 32)* *RMB'000*	Interest payable *(Note 29)* *RMB'000*	Notes payables *(Note 29(b))* *RMB'000*	Convertible bonds – liability component *(Note 31)* *RMB'000*	Note *(Note 30)* *RMB'000*	Lease liabilities *(Note 14)* *RMB'000*	Total *RMB'000*
At 1 January 2023	508,060	487	17,173	79,084	36.328	15,037	656,169
Changes from cash flows:							
Proceeds from bank and other borrowings	218,957	–	–	–	–	–	218,957
Repayment of bank and other borrowings	(105,844)	–	–	–	–	–	(105,844)
Interest paid	–	(28,429)	–	–	–	(899)	(29,328)
Proceeds from notes payable	–	–	77,750	–	–	–	77,750
Repayment of notes payable	–	–	(17,173)	–	–	–	(17,173)
Repayment of convertible bonds	–	–	–	(4,925)	–	–	(4,925)
Repayment of notes	–	–	–	–	(37,591)	–	(37,591)
Repayment of principal portion of lease liabilities	–	–	–	–	–	(7,627)	(7,627)
Total changes from financing cash flows:	113,113	(28,429)	60,577	(4,925)	(37,591)	(8,526)	94,219
Foreign exchange adjustments:	800	8	–	1,169	245	5	2,227
Other changes:							
Interest expenses (non-cash)	–	1,622	–	7,907	1,018	899	11,446
Finance cost capitalised in construction-in-progress (non-cash)	–	26,807	–	–	–	–	26,807
Addition of lease liabilities (non-cash)	–	–	–	–	–	687	687
Termination of lease (non-cash)	–	–	–	–	–	(341)	(341)
Total other changes	800	28,437	–	9,076	1,263	1,250	40,826
At 31 December 2023	621,973	495	77,750	83,235	–	7,761	791,214

35 CASH FLOWS INFORMATION *(Continued)*

(iii) Major non-cash transactions

During the current year, the Group had non-cash additions to right-of-use assets (Note 14(a)) and lease liabilities (Note 14(b)) of approximately RMB2,914,000 (2023: RMB687,000) and RMB2,914,000 (2023: RMB687,000) respectively, in respect of lease arrangements for office and plant. Prepayments for property, plant and equipment of approximately RMB83,379,000 were transferred to property, plant and equipment for the year (2023: RMB30,435,000).

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the year ended 31 December 2023, the Group acquired additional equity interests in Sinopharm Jinyue Aerosol for a consideration of RMB3,900,000. After that, the Group's effective equity interests in Sinopharm Jinyue Aerosol increased from 89.0% to 98.6%.

Consequently, the effective ownership interests of the Group in Zhejiang Sinopharm Aerosol increased from 98.5% to 99.8%.

The carrying amount of the non-controlling interests in this subsidiary on the date of acquisitions was approximately RMB1,340,000. The Group recognised a decrease in non-controlling interest of approximately RMB1,340,000 and an increase in equity attributable to owners of the Company of approximately RMB2,560,000.

	2024 ***RMB'000***	2023 *RMB'000*
Consideration paid to non-controlling interests	–	(3,900)
Carrying amount of non-controlling interests acquired	–	1,340
Excess of consideration paid recognised within equity	–	(2,560)

37 CONTINGENT LIABILITIES

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

38 CAPITAL COMMITMENTS

The Group's capital expenditure contracted for but not yet incurred, excluding amounts recorded in prepayments for property, plant and equipment, is as follows:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	**263,723**	264,686

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**469**	172
Investments in subsidiaries	*(a)*	**15,295**	15,295
Investment in a joint venture		**46,500**	49,500
Trade and other receivables		**64**	–
		62,328	64,967
Current assets			
Trade and other receivables		**12**	74
Pledged bank deposits		**15,099**	9,876
Cash and cash equivalents		**2,037**	165
		17,148	10,115
Total assets		**79,476**	75,082
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**3,901**	3,901
Share premium		**165,873**	165,873
Other reserves	*(b)*	**14,276**	22,246
Accumulated losses	*(c)*	**(420,473)**	(398,853)
Total deficit		**(236,423)**	(206,833)

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

	Notes	As at 31 December **2024** ***RMB'000***	 2023 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**170**	–
		170	–
Current liabilities			
Trade and other payables		**1,821**	1,793
Bank borrowings		**50,443**	49,363
Note		**–**	–
Amounts due to subsidiaries		**263,153**	147,339
convertible bonds		**–**	83,235
Lease liabilities		**312**	185
		315,729	281,915
Total liabilities		**315,899**	281,915
Total equity and liabilities		**79,476**	75,082

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2025 and was signed on its behalf.

Yu Yuerong
Director

Wang Xiaobing
Director

Notes to the Consolidated Financial Statements

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

(a) The following is a list of the principal subsidiaries at 31 December 2024 and 2023:

Name	Form of business structure	Place and date of incorporation/ establishment and operation	Issued share capital/paid up registered capital	Equity interest held		Principal activities and place of operation
				2024	2023	
Directly held:						
Ludao BVI	Limited liability company	Incorporated in BVI on 18 December 2007	111 ordinary shares of USD111	**100%**	100%	Investment holding, BVI
Indirectly held:						
Ludao PRC	Wholly-foreign owned enterprise	Established in the PRC on 23 August 2002	HKD487,000,000	**100%**	100%	Manufacturing and selling of aerosol products, the PRC
吉林景维康藥業有限公司 (rename from 國藥景岳氣霧劑有限公司) (Jilin Jinweikang Pharmaceutical Co., Ltd* ("Jinweikang Pharmaceutical")) (rename from Sinopharm Jinyue Aerosol Group Co. Ltd*)	Limited liability company	Established in the PRC on 13 September 2017	RMB68,550,000	**98.6%**	98.6%	Research and development, manufacture and sale of medical and edible aerosol products, the PRC
浙江國藥景岳氣霧劑有限公司 (Zhejiang Sinopharm Jinyue Aerosol Co., Ltd* ("Zhejiang Sinopharm Aerosol"))	Limited liability company	Established in the PRC on 27 June 2019	RMB445,600,000	**99.8%**	99.8%	Research and development on aerosol and make up products, provide consultancy service on aerosol and make up products, production and manufacturing and selling of aerosol and related products, the PRC

* The English name is for identification purpose only.

All subsidiaries are limited liability companies.

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

(b) Reserve movement of the Company

	Convertible bonds reserve *RMB'000*	Exchange reserve *RMB'000*	Total *RMB'000*
At 1 January 2023	7,176	15,271	22,447
Currency translation differences	–	(201)	(201)
At 31 December 2023 and 1 January 2024	7,176	15,070	22,246
Derecognition of equity component of convertible bonds *(Note 31)*	(7,176)	–	(7,176)
Currency translation differences	–	(794)	(794)
At 31 December 2024	–	14,276	14,276

(c) Accumulated losses

	2024 ***RMB'000***	2023 *RMB'000*
Balance at 1 January	**(398,853)**	(368,916)
Losses for the year	**(28,796)**	(29,937)
Derecognition of equity component of convertible bonds *(Note 31)*	**7,176**	–
Balance at 31 December	**(420,473)**	(398,853)

40 BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The directors' emoluments during the year are equivalent to key management compensation.

The remuneration of each director and the chief executive of the Company is set out below:

Name of Directors	Fee		Salary		Discretionary bonus		Employer's contribution to retirement scheme		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Executive Directors										
Mr. Yu Yuerong										
– also the chief executive	–	–	1,093	1,079	–	–	16	16	1,109	1,095
Ms. Pan Yili	–	–	107	106	–	–	20	18	127	124
Mr. Wang Xiaobing	–	–	243	239	–	–	25	23	268	262
	–	–	1,443	1,424	–	–	61	57	1,504	1,481
Independence non-executive Directors										
Mr. Chan Yin Tsung	164	162	–	–	–	–	–	–	164	162
Mr. Ruan Lianfa	–	–	142	142	–	–	–	–	142	142
Ms. Yau Kit Kuen Jean	164	162	–	–	–	–	–	–	164	162
	328	324	142	142	–	–	–	–	470	466

During the year, no directors or any of the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the companies comprising the Group or as compensation for loss of office.

There was no directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services and no loans, quasi-loans or other dealings entered into by the Group in favour of any directors, bodies corporate controlled by and entities connected with such directors during the year (2023: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 SUBSEQUENT EVENTS

As at the date of approval of the consolidated financial statements, the Group has no significant event after the reporting period that needs to be disclosed.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is prepared on the basis set out in the notes below:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**906,846**	705,753	534,701	476,397	566,291
Cost of sales	**(765,010)**	(572,642)	(451,326)	(347,809)	(385,271)
Gross profit	**141,836**	133,111	83,375	128,588	181,020
Other income and other gains/(expenses) – net	**17,918**	16,730	37,171	30,773	(7,406)
Selling expenses	**(21,304)**	(27,810)	(20,612)	(25,471)	(27,289)
Administrative expenses and impairment losses	**(74,521)**	(63,109)	(61,294)	(74,237)	(71,605)
Finance costs – net	**(5,497)**	(10,556)	(14,107)	(18,105)	(17,965)
Share of results of joint ventures	**408**	132	203	(1,500)	(2,013)
Share of results of associates	**–**	–	–	–	(1,632)
PROFIT BEFORE INCOME TAX	**58,840**	48,498	24,736	40,048	53,110
Income tax expense	**(7,557)**	(4,940)	(2,685)	(4,818)	(12,678)
PROFIT FOR THE YEAR	**51,283**	43,558	22,051	35,230	40,432

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**1,694,817**	1,389,011	1,150,223	933,756	859,595
TOTAL LIABILITIES	**1,247,421**	979,445	775,841	553,986	532,819
	447,396	409,566	374,382	379,770	326,776

Notes:

1. The consolidated results of the Group for each of the two years ended 31 December 2024 and 2023 and the consolidated assets and liabilities of the Group as at 31 December 2024 and 2023 are set out on pages 87 to 197 of this annual report.

2. The above summary was prepared as if the current structure of the Group had been in existence throughout these financial years.