

WEILI HOLDINGS LIMITED

偉立控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2372

The background of the cover features a vibrant blue-to-green gradient. It is adorned with numerous concentric, wavy lines that create a sense of motion and depth. In the center, there is a circular graphic composed of a dotted ring and several arrow-shaped segments pointing clockwise. Overlaid on this central graphic is the text "ANNUAL REPORT 2024".

**ANNUAL
REPORT
2024**



WELLI Holdings Limited
Annual Report 2024

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Weizhuang (*Chairman*)
Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin
Mr. Chen Yeung Tak
Ms. Feng Yuan

Audit Committee

Mr. Chen Yeung Tak (*Chairperson*)
Mr. Liu Yimin
Ms. Feng Yuan

Remuneration Committee

Ms. Feng Yuan (*Chairperson*)
Mr. Chen Yeung Tak
Mr. Chen Weizhuang

Nomination Committee

Mr. Liu Yimin (*Chairperson*)
Ms. Feng Yuan
Mr. Yu Tianbing

Company Secretary

Mr. Yu Tsz Ngo (*HKICPA*)

Authorised Representatives

Mr. Yu Tsz Ngo
Mr. Yu Tianbing

Auditor

PricewaterhouseCoopers
*Certified Public Accountants and Registered Public
Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

Compliance Adviser

Grande Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal Advisers as to Hong Kong Law

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Principal Banker

Bank of China Hong'an Sub-branch
No.6, Jianshe West Street
Chengguan Town
Hong'an County
Hubei Province
China

Registered Office

71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Headquarters

New Industrial Park
Mi'ersi Town
Hong'an County
Hubei Province
China

Principal Place of Business in Hong Kong

Unit 2004-6, 20th Floor
Strand 50, 50 Bonham Strand
Sheung Wan
Hong Kong

Principal Share Registrar

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

Company's Website

www.weiliholdings.com

Stock Code

2372

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of WElli Holdings Limited (the "Company") for the year ended 31 December 2024 ("FY2024").

The ordinary shares of our Company (the "Shares") were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 June 2022 (the "Listing Date") which marked a significant milestone for our Company and its subsidiaries (collectively, the "Group"). 200,000,000 ordinary Shares were issued under the share offer, raising net proceeds of approximately HK\$90.3 million (after deducting expenses from the Listing (the "Listing Expenses")). With the capital raised from the Listing, the Group has greater flexibility to enhance the production capacity which strengthen the Group's market position.

For FY2024, the Group recorded a total revenue of approximately RMB112.0 million, representing a decrease of approximately RMB79.0 million or 41.4% as compared to approximately RMB190.9 million for the year ended 31 December 2023 ("FY2023"). Such decrease was mainly due to several major customers of the Group temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the tendering gap between expired contracts and newly awarded contracts. Additionally, the Group recorded an impairment provision for long-term assets during FY2024. The Group's gross profit decreased from approximately RMB17.6 million for FY2023 to approximately RMB3.3 million for FY2024, representing a decrease of approximately RMB14.3 million or 81.5%. The Group's gross profit margin decreased from approximately 9.2% for FY2023 to approximately 2.9% for FY2024. For FY2024, the Group recorded net loss attributable to shareholders of the Company (the "Shareholder(s)") of approximately RMB9.5 million as compared to approximately RMB2.6 million for FY2023.

Looking into the future, since the demand for tobacco products is inelastic in general due to its product nature, the number of smokers in the PRC is expected to remain stable in the foreseeable future despite the smoking control policies imposed by the government. In addition, benefiting from the focus of the cigarette industry towards mid-to-high-end and the increase in purchasing power of PRC citizens, the demand of mid-to-high-end cigarettes which generally entail the use of cigarette packaging paper with advanced technical features is expected to increase. We will continue to adapt, optimise and manage our resources prudently to seize business opportunities which are beneficial to the long-term growth of the Group. We will continue draw on our expertise and experience to devise effective strategies to increase our market share.

On behalf of the Board, let me take this opportunity to extend our heartfelt gratitude to our shareholders, business partners, customers, and employees for your continuous support and contribution to the Group. We are committed to delivering value and bringing returns to all our stakeholders.

Chen Weizhuang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC.

The Group's products were used as cigarette packaging materials for cigarette brands which were recognised as the "Dual 15 cigarette brands (雙十五煙草品牌)" by the State Tobacco Monopoly Administration (中國國家煙草專賣局). The Group's revenue was mainly derived from the sale of cigarette packaging paper. The Group's products are categorised into (i) transfer paper; (ii) laminated paper; and (iii) frame paper. To a much lesser extent, the Group also provides cigarette packaging paper processing services to cigarette package manufacturers.

During FY2024, several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the tendering gap between expired contracts and newly awarded contracts. Additionally, the Group recorded an impairment provision for long-term assets during FY2024. The aforementioned factors have caused material adverse impact on the Group's revenue and financial performance for FY2024.

Looking into the future, since the demand for tobacco products is inelastic in general due to its product nature, the number of smokers in the PRC is expected to remain stable in the foreseeable future despite the smoking control policies imposed by the government. In addition, benefiting from the focus of the cigarette industry towards mid-to-high-end and the increase in purchasing power of PRC citizens, the demand of mid-to-high-end cigarettes which generally entail the use of cigarette packaging paper with advanced technical features is expected to increase. We will continue to adapt, optimise and manage our resources prudently to seize business opportunities which are beneficial to the long-term growth of the Group. We will continue to draw on our expertise and experience to devise effective strategies to increase our market share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased from approximately RMB190.9 million for FY2023 to approximately RMB112.0 million for FY2024, representing a decrease of approximately RMB79.0 million or 41.4%. Such decrease was mainly due to several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the tendering gap between expired contracts and newly awarded contracts.

Cost of sales

The Group's cost of sales decreased from approximately RMB173.3 million for FY2023 to approximately RMB108.7 million for FY2024, representing a decrease of approximately RMB64.6 million or 37.3%. Such decrease was mainly due to (i) the decrease in the Group's revenue of approximately 41.4% for FY2024; and (ii) the impairment provision recorded for long-term assets during FY2024. The decrease in the overall cost of sales as compared to the decrease in the overall revenue for the corresponding year was less proportional because certain fixed costs such as raw materials and goods used as well as staff costs had to be incurred despite the decrease in the overall revenue.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB17.6 million for FY2023 to approximately RMB3.3 million for FY2024, representing a decrease of approximately RMB14.3 million or 81.5%, while the Group's gross profit margin decreased from approximately 9.2% for FY2023 to approximately 2.9% for FY2024. Such decrease was mainly due to the decrease in revenue and the less than proportional decrease in the overall cost of sales as compared to the decrease in the overall revenue for the corresponding year as discussed above.

Selling expenses

The Group's selling expenses decreased from approximately RMB8.2 million for FY2023 to approximately RMB5.2 million for FY2024 mainly due to the decrease in freight charges as a result of decrease in sales volume in FY2024.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB17.7 million for FY2023 to approximately RMB13.4 million for FY2024 mainly due to (i) the decrease in travelling and entertainment expenses of approximately RMB1.2 million; and (ii) the decrease in research and development expenses of approximately RMB2.3 million for FY2024.

Provision for loss allowance on financial assets, net

We recorded provision for loss allowance on financial assets, net, of approximately RMB2.0 million for FY2023 and approximately RMB1.1 million for FY2024 mainly due to the increase in the gross carrying amount and expected loss rate of our trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income decreased from approximately RMB5.2 million for FY2023 to approximately RMB4.1 million for FY2024 which was mainly due to the decrease in government grants received from approximately RMB3.8 million for FY2023 to approximately RMB3.3 million for FY2024.

Other gains — net

The Group's other gains, net increased from approximately RMB0.2 million for FY2023 to approximately RMB0.3 million for FY2024, which was mainly attributable to the increase in dividend income from financial assets at fair value through profit or loss.

Finance income — net

The Group's finance income, net decreased from approximately RMB1.0 million for FY2023 to approximately RMB0.3 million for FY2024, which was mainly attributable to the decrease in interest income on bank deposits and restricted cash by approximately RMB0.7 million.

Income tax credit

The Group recorded income tax credit of approximately RMB1.3 million for FY2023 and income tax credit of approximately RMB2.2 million for FY2024 which was mainly due to the decrease in the Group's revenue and gross profit as discussed above, while the Group recorded loss before income tax of approximately RMB11.7 million for FY2024.

Loss and total comprehensive loss for the year

The Group's loss and total comprehensive loss increased from approximately RMB2.6 million for FY2023 to approximately RMB9.5 million for FY2024, representing an increase of approximately RMB6.9 million or 270.7%. The increase was primarily attributable to the decrease in the Group's revenue and gross profit as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the date of Listing (the "Listing Date") and up to the date of this report.

As at 31 December 2024 and 2023, the Company's issued capital was HK\$8.0 million and the number of its issued ordinary Shares was 800,000,000 Shares of HK\$0.01 each. During FY2024, the Company did not hold or sell any treasury shares.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, the Group had total cash and cash equivalents of approximately RMB53.2 million (31 December 2023: approximately RMB95.1 million). The cash and cash equivalents were denominated in Renminbi ("RMB"), Hong Kong dollars and United States dollars.

As at 31 December 2024, the Group had bank borrowings of RMB2.0 million (31 December 2023: RMB30.0 million) which were denominated in RMB. The Group's bank borrowings of RMB2.0 million bear interest at fixed interest rates.

The gearing ratio of the Group as at 31 December 2024, calculated as total borrowings (including bank borrowings) divided by the total equity was approximately 1% (31 December 2023: 13.6%).

TREASURY POLICY

The Group has implemented a series of internal control policies and rules regarding investment to ensure that the purpose of investment is to preserve capital and liquidity, and the Group would only purchase investment products under limited circumstances. The Group's finance department is responsible for managing the investment activities, and investment strategies and decisions of the finance department are subject to review and approval of the Board and management team. Prior to making a proposal to invest in investment products, the Group will assess and ensure that there remains sufficient working capital for the business needs, operating activities, research and development and capital expenditures even after purchasing such investment products. The Group adopts a prudent approach in selecting investment products. The Group generally analyses the investment products based on its historical financial performance. Should the Group notice any adverse changes to the financial performance of the investment products based on available information, the finance department will report to the Board and take appropriate actions in a timely manner.

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in RMB, which is the functional currency of the Group's principal operating subsidiaries. However, the Group retains certain cash and cash equivalents in Hong Kong dollars and United States dollars that are exposed to foreign exchange rate risks. The Board considers that the Group has not exposed to significant foreign exchange risk and no foreign exchange hedging was conducted by the Group during FY2024.

CAPITAL EXPENDITURE

During FY2024, the Group incurred capital expenditures of approximately RMB3.7 million (FY2023: approximately RMB22.4 million), primarily due to purchases of property, plant and equipment and intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any capital commitment (31 December 2023: approximately RMB1.9 million).

As at 31 December 2024 and 2023, the Group did not have any significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the business plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus dated 17 June 2022 (the “Prospectus”), and as disclosed in the Company’s announcement in relation to the acquisition of the machineries and change in use of net proceeds dated 27 October 2023 (“Acquisition and Change in UOP Announcement”), the Group did not have any future plan for material investments or capital assets as at 31 December 2024. For details, please refer to the section headed “Use of Proceeds” in this report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES

Save for those disclosed in this report, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during FY2024.

PLEDGE OF ASSETS

As at 31 December 2024, buildings with net book value of approximately RMB9.9 million (31 December 2023: approximately RMB11.0 million) were pledged to secure bills payable of the Group.

As at 31 December 2024, leasehold land use right with net book value of approximately RMB2.8 million (31 December 2023: approximately RMB2.9 million), were pledged to secure bills payable of the Group.

As at 31 December 2024, the Group did not have any pledged bank borrowing (31 December 2023: (i) bank borrowing amounting RMB20.0 million were secured by the Group’s machinery with net book value of approximately RMB5.9 million and trade receivables with carrying amounts of approximately RMB120.0 million); and (ii) bank borrowing amounting to RMB10.0 million was guaranteed by Mr. Yu Tianbing).

The Group’s restricted cash were with maturity within one year, denominated in RMB and represented bank deposits pledged to banks for the issuance of bank acceptance bills payable in respect of future settlement to suppliers of the Group.

As at 31 December 2024, bills receivable with carrying amounts of RMB3,000,000 (31 December 2023: Nil) were pledged to secure bills payable of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Listing, after deducting related expenses, were approximately HK\$90.3 million (the “Net Proceeds”). The balance of the net proceeds brought forward at the beginning of FY2024 was approximately HK\$53.4 million. An analysis of the utilisation of the use of proceeds from the Listing Date and up to 31 December 2024 is set out below:

Description	Planned use of Net Proceeds as disclosed in the Prospectus HK\$' million	Revised allocation of Net Proceeds HK\$' million	Utilised Net Proceeds during FY2024 HK\$' million	Utilised Net Proceeds up to 31 December 2024 HK\$' million	Unutilised Net Proceeds up to 31 December 2024 HK\$' million	Expected timeline for utilising the unutilised Net Proceeds
Expanding the Group's production capacity, production efficiency and product portfolio	55.4	33.3	–	1.3	32.0	Before 31 December 2025
Enhancing the Group's research and development capabilities	17.6	17.6	0.2	1.1	16.5	Before 31 December 2025
Enhancing the Group's enterprise resource planning system and infrastructure system	5.8	0.1	–	0.1	–	Not applicable
Increasing the Group's marketing efforts	2.6	2.6	0.2	0.4	2.2	Before 31 December 2025
Acquisition of the printing machinery and positioning crosscutting machine for coloured cigarette packaging paper production (“Machinery”)	–	22.9	1.0	21.6	1.3	By the end of warranty period of the Machinery
Reserved as the Group's general working capital	8.9	13.8	–	13.8	–	Fully utilised
Total	90.3	90.3	1.4	38.3	52.0	

As at 31 December 2024, all Net Proceeds were applied and will be applied according to the Prospectus and the Acquisition and Change in UOP Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend for FY2023 and FY2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a total of 83 employees, as compared to a total of 113 employees as at 31 December 2023. Remuneration to our employees comprises salaries, wages, bonuses and other benefits. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The total staff costs incurred by the Group for FY2024 was approximately RMB10.5 million compared to approximately RMB12.4 million for FY2023. Various on-the-job trainings were provided to the employees. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees' payroll. For FY2024 and FY2023, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EVENTS AFTER 31 DECEMBER 2024

There is no material subsequent event requiring disclosure that has taken place after 31 December 2024 and up to the date of this report.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Weizhuang (陳偉莊先生), aged 63, was appointed as a Director on 21 April 2021 and was re-designated as an executive Director on 20 May 2021. Mr. Chen also serves as the chairman of our Board and is our Controlling Shareholder. He is primarily responsible for the overall management and formulation of business strategies of our Group. As the chairman of the board of Hubei Qiangda, in order to supervise the operation and management of our Group, Mr. Chen would travel to our production facilities from time to time. He travelled to our production facilities for around 30 times from 2019 to 2021. He is responsible for developing our customer base and maintenance of our business relationship with our major customers, whereas he liaises with some of our major customers and attends meetings regarding our sales review and planning. He is also responsible for holding shareholders' meetings and formulation of business and financial plans of our Group. He is a member of our Remuneration Committee. He is also a director of all our subsidiaries, namely Shengxi Global, Hong Kong WElli and Hubei Qiangda.

Mr. Chen has over 25 years of experience in business management in various industries, including the paper industry in the PRC. From January 1993 to December 1998, he served as deputy general manager in a paper manufacturer located in the Hunan Province. From January 1999 to November 2009, Mr. Chen served as the executive director of Shenzhen Fuhualong Industry Co., Ltd. (深圳市富華隆實業有限公司), a company principally engaged in industrial projects and supply chain activities. From May 2002 to November 2007, he was also the vice chairman of Fuyang Gangli Real Estate Development Co., Ltd.* (阜陽港利房地產開發有限公司), a company principally engages in real estate development and management. From May 2003 to September 2006, Mr. Chen was a supervisor of Shenzhen Huanqiu Shidai Import & Export Co., Ltd. (深圳市環球時代進出口有限公司), a company principally engages in industrial projects, supply chain activities and import and export business, and he has been its executive director since September 2006. Mr. Chen joined Hubei Qiangda as director in May 2017, and has been responsible for the overall management and formulation of business strategies of Hubei Qiangda since then.

Mr. Chen completed his secondary education in the PRC in July 1978.

Mr. Yu Tianbing (余天兵先生), aged 56, was appointed as an executive Director on 19 July 2021. Mr. Yu is also the chief executive officer of our Group and a Substantial Shareholder. He is primarily responsible for the overall management and day-to-day management of the operations of our Group. He usually stations at the production facilities of our Group, and his major responsibilities include reviewing and approving production and operation related documents, supervising the daily production and operation of our Group, implementation of the decisions of the board meetings or shareholders' meetings as well as the business and financial plans of our Group. He is a member of our Nomination Committee. He is also a director of one of our subsidiaries, namely Hubei Qiangda.

Mr. Yu has over 25 years of experience in the cigarette industry, including the cigarette packaging industry. From September 1992 to December 2001, Mr. Yu worked at Hubei Jinye Yuyang Chemical Fiber Co., Ltd.* (湖北金葉玉陽化纖有限公司), which was a designated manufacturer of polypropylene tow and filter rods for cigarettes in the PRC, and he was responsible for business management. From March 2003 to December 2016, Mr. Yu worked at Hubei Golden Three Gorges Printing Industry Co., Ltd. (湖北金三峽印務有限公司), which is principally engaged in manufacture of cigarette package, with his last position as deputy general manager. He then joined Hubei Qiangda as general manager in January 2017 and has been a director of Hubei Qiangda since May 2017.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu graduated from Hubei Radio and TV University (湖北廣播電視大學), majoring in political history, in July 1989. Mr. Yu also graduated from Hunan University of Technology (湖南工業大學), majoring in printing engineering, in January 2007. He was accredited as an economist by the Yichang Municipal Profession Reform Office* (宜昌市職改辦) in December 1995.

NON-EXECUTIVE DIRECTOR

Mr. Hu Haoran (胡浩然先生), aged 38, was appointed as a non-executive Director on 19 July 2021. He is primarily responsible for providing advice on the strategy, performance and standard of conduct of our Group and has not been involved in the daily operation of our Group. Mr. Yu and the management of the Group would provide business updates to Mr. Hu from time to time, and Mr. Hu would review such information and provide advice to our Group, in particular financial performance of our Group. He is also a director of one of our subsidiaries, namely Hubei Qiangda.

Mr. Hu has over nine years of experience in business management in various industries. From March 2012 to January 2015, Mr. Hu served as an assistant to the president at Sun Century Real Estate Group Co., Ltd. (太陽世紀地產集團有限公司), a company principally engages in real estate development and property leasing, and he was responsible for assisting the president in the management of the company. Since January 2015, Mr. Hu has been a director of Pacific Assets Alliance Limited (太平洋資產聯合有限公司), a company principally engages in the provision of finance, accounting, taxation and business consulting services. Since December 2017, he has been a supervisor of Shenzhen Guangxin Enterprise Management Consulting Service Co., Ltd.* (深圳市廣信企業管理諮詢服務有限公司), a company principally engages in the provision of business and investment consulting services, software development and website design. Mr. Hu joined Hubei Qiangda as a director in May 2017.

Mr. Hu was accredited as a junior accountant by the Ministry of Finance of the PRC in May 2007. He graduated from Guangzhou University Sontan College (廣州大學松田學院) majoring in finance management and practice in June 2008. He obtained a bachelor's degree of management in accounting from Dongbei University of Finance and Economics (東北財經大學) through an online course in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yimin (劉一敏先生), aged 42, was appointed as an independent non-executive Director on 2 June 2022. He is primarily responsible for providing independent advice to our Board. He is the chairperson of our Nomination Committee and a member of our audit committee ("Audit Committee").

Mr. Liu has over eight years of experience in business management in various industries. From October 2011 to September 2014, he served as an assistant to the chairman of the board of Brilliant Circle Holdings International Limited (stock code: 1008), a company listed on the Stock Exchange. From April 2016 to November 2017, he was a director of Shenzhen Yunshan Medical Management Co., Ltd.* (深圳市雲杉醫療管理有限公司), a company principally engages in the provision of logistics and management services to medical institutions. Since November 2017, he has been a director of Shenzhen Larnor Investment Management Co., Ltd.* (深圳拉諾投資管理有限公司), a company engages in the provision of medical and healthcare services.

Mr. Liu obtained a bachelor's degree of engineering in computer aided engineering from The University of Central Lancashire in June 2004 and a master's degree of science in mechatronic systems engineering from The University of Lancaster in November 2005.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Yeung Tak (陳仰德先生), aged 40, was appointed as the independent non-executive director of the Company on 2 June 2022. He is primarily responsible for providing independent advice to our Board. He is the chairperson of our Audit Committee and a member of our Remuneration Committee.

Mr. Chen Yeung Tak has over 15 years of experience in auditing, accounting and financial management, treasury, internal control, corporate governance and company secretarial matters. He graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in December 2006. He is a member and a fellow of the Hong Kong Institute of Certified Public Accountants ("CPA"). He is also a CPA (Practising) registered in the Accounting and Financial Reporting Council.

Mr. Chen Yeung Tak worked as an accounting manager in international accounting firms and Blue River Holdings Limited (formerly known as PYI Corporation Limited), the shares of which are listed on the Stock Exchange (stock code: 498). From December 2017 to December 2021, he served as an independent non-executive director of AV Promotions Holdings limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8419). From January 2018 to February 2025, he served as an independent non-executive director of Gain Plus Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 9900). He is currently a company secretary of Kingland Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1751) and had an appointment of its executive director from May 2020 to June 2022.

Mr. Chen Yeung Tak is an independent non-executive director of the following companies respectively: DT Capital Limited, the shares of which are listed on the Stock Exchange (stock code: 356); and Prosperity Group International Limited (formerly known as Kingbo Strike Limited), the shares of which are listed on the Stock Exchange (stock code: 1421). He also has an appointment of an independent director of Onion Global Limited, a company formerly listed on New York Stock Exchange (stock code: NYSE: OG) and currently listed on U.S. OTC Market (stock code: OGBLY: OG).

Ms. Feng Yuan (馮苑女士), aged 42, was appointed as our independent non-executive Director on 2 June 2022. She is primarily responsible for providing independent advice to our Board. She is the chairperson of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Ms. Feng has over 10 years of experience in business relating to information technology. From April 2007 to July 2019, she worked at iPanel.TV Inc. (深圳市茁壯網絡股份有限公司), a company principally engages in technical development and consultation in relation to computer software, with her last positions as secretary to the board, deputy general manager and financial controller. From August 2019 to February 2023, she worked as an assistant to the chairman of Shenzhen YiLiu Technology Co., Ltd., which is mainly engaged in the technical development and sales of computer software. Ms. Feng has served as the chief operating officer (COO) of Shenzhen Zhongyun Network Co., Ltd. since February 2023, which is mainly engaged in the technical development and sales of information security products.

Ms. Feng completed China Europe International Business School's Executive Master of Business Administration (EMBA) program in July 2021 and received her Master of Business Administration (MBA) in August 2021, also, she obtained a bachelor's degree of management in information management and information system and a master's degree of management from the Sichuan Normal University (四川師範大學) in July 2004 and June 2007, respectively.

SENIOR MANAGEMENT

Ms. Li Xiaoli (李小莉女士), aged 53, is the chief financial officer of our Group and is responsible for the overall accounting and financial management of our Group.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li has around 30 years of experience in accounting and financial management. From June 1991 to April 2008, Ms. Li worked in the finance and audit departments of No. 4820 Factory of the People's Liberation Army* (中國人民解放軍第4820工廠) (currently known as Yichang 4820 Mechanical and Electrical Co., Ltd.* (宜昌四八二〇機電有限公司)), a company principally engages in the manufacture of electrical products and sells household appliances. From May 2008 to March 2013, she worked as an auditor in an accounting firm, which is currently known as Beijing Dadi Certified Public Accountants (Special General Partnership)* (北京大地泰華會計師事務所(特殊普通合夥)). From March 2013 to March 2015, Ms. Li worked as an audit consultant at Guangzhou Zengxinhongri Certified Public Accountants Co., Ltd.* (廣州市增信鴻日會計師事務所有限公司). Ms. Li joined Hubei Qiangda in June 2015 and has been the chief financial officer of Hubei Qiangda since then.

Ms. Li graduated from Yichang Teachers College* (宜昌師範專科學校) majoring in Chinese language and literature in June 1991. She also graduated from People's Liberation Army University of Naval Staff* (中國人民解放軍海軍職工大學) majoring in accounting in December 1997. Ms. Li was accredited as an intermediate accountant by the Ministry of Finance of the PRC in September 2003 and became a certified public accountant in September 2008. She also became a registered tax agent in November 2005 and was accredited as a senior management accountant by China Association of Chief Financial Officers in February 2021.

Mr. Bao Zhigang (包志剛先生), aged 46, is the chief technology officer of our Group and is responsible for the overall technology development of our Group.

Mr. Bao has over 15 years of experience in the paper industry. From December 2001 to April 2005, Mr. Bao worked as a product manager of Shantou Qiangyu Packaging Co., Limited* (汕頭市強宇包裝材料有限公司), a company principally engages in the manufacture of paper and plastic three-dimensional coating products (紙塑三維鍍膜製品). From April 2005 to April 2011, he worked as a factory manager of Hubei Qiangyu Packaging Material Co., Ltd.* (湖北強宇包裝材料有限公司) (currently known as Hubei Tonghuan Trading Co., Ltd.* (湖北同歡貿易有限公司)), which manufactured and sold paper products, plastic laser film and outer packaging plastic products. Mr. Bao joined Hubei Qiangda as factory manager in June 2011 and was promoted to the position of chief technology officer in April 2020.

Mr. Bao completed secondary education in the PRC in July 1996. He is studying marketing (marketing and planning stream) at Open University of China (國家開放大學) through distance learning and is expected to graduate in July 2023.

Mr. Song Zhengmei (宋正美先生), aged 38, is the chief product officer of our Group and is responsible for the overall production of our Group.

Mr. Song has over 10 years of experience in product quality control. From June 2008 to May 2017, Mr. Song worked as a quality control supervisor of Zhejiang Super Lighting Electric Appliance Co., Ltd. (浙江山蒲照明電器有限公司), a company principally engages in the manufacture of lighting and electronic devices. He joined Hubei Qiangda as office manager in June 2017 and was promoted to the position of chief product officer in January 2021.

Mr. Song graduated from Wuhan Polytechnic (武漢職業技術學院) majoring in numerical control technology in June 2008. He later obtained a bachelor's degree in business management from Wuhan University of Technology (武漢理工大學) on a part-time basis through distance learning in December 2020.

Save as disclosed above, each of our senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensuring high standards of corporate governance and business practices. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). For the year ended 31 December 2024, the Board is of the view that the Company has complied with all the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries being made by the Company, confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2024.

Pursuant to Rule B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of Directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he or she carries out his or her duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of this report, the Board comprised six Directors, including two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Chen Weizhuang (*Chairman*)
Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Mr. Liu Yimin
Mr. Chen Yeung Tak
Ms. Feng Yuan

The details of Directors are set out in the section headed “Biography of Directors and Senior Management” on pages 12 to 15 of this annual report.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. The positions of chairman and chief executive officer are currently held by Mr. Chen Weizhuang and Mr. Yu Tianbing, respectively. Their respective responsibilities are clearly defined and set out in writing. The primary role of the chairman is to provide leadership for the Board and to formulate the business strategies of the Group. The chief executive officer is responsible for the day-to-day management of the Group’s business.

BOARD MEETINGS

The Board sets strategies and directions for the Group’s activities with a view to developing its business and enhancing shareholders’ value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board’s policies and strategies to the Executive Director and chief executive officer and management of the Group.

For the year ended 31 December 2024, two Board meetings were held and the attendance of each Director is set out below:

Directors	Number of Attendance
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	2/2
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	2/2
<i>Non-executive Director</i>	
Mr. Hu Haoran	2/2
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	2/2
Mr. Chen Yeung Tak	2/2
Ms. Feng Yuan	2/2

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2024, one general meeting of the Company was held and the attendance of each Director is set out below:

Directors	Number of Attendance
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	1/1
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	1/1
<i>Non-executive Director</i>	
Mr. Hu Haoran	1/1
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	1/1
Mr. Chen Yeung Tak	1/1
Ms. Feng Yuan	1/1

In compliance with the requirements set out in Rule 3.10(2) of the Listing Rules, the Board consists of three independent non-executive Directors for the year ended 31 December 2024. One of them, namely Mr. Chen Yeung Tak, possesses appropriate professional qualifications or accounting or related financial management expertise. For the year ended 31 December 2024, the number of independent non-executive Directors represents at least one-third of the Board which is in compliance with Rule 3.10A. As such, the Company believes that there is sufficient independence element in the Board to safeguard the interests of the shareholders of the Company.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and each of them confirmed that he/she is independent of the Company and there has been no circumstances which would render them not to be independent as contemplated under the Listing Rules. Based on the confirmations received and upon the recommendation of the Nomination Committee, the Board considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules. None of the Independent non-executive Directors have served more than nine years as at the date of this annual report.

Mechanism ensuring sufficient independent views to the Board

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

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

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

CORPORATE GOVERNANCE REPORT

Independence Assessment

The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.

The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

Decision Making

All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.

The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of three years with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and Independent Non-executive Director has entered into a letter of appointment for a term of one year with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than one month prior written notice.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and a retiring Director shall be eligible for re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the first annual following annual general meeting after his/her appointment and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code C.1.4 of the CG Code, all the Directors have participated in continuous professional development by attending training courses or reading relevant materials on the topics related to corporate governance and relevant update of the Listing Rules. The Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

The training each director received during FY2024 is summarised as below:

	Attending training courses or reading relevant materials on the topics related to corporate governance and relevant update of the Listing Rules
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	✓
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	✓
<i>Non-executive Director</i>	
Mr. Hu Haoran	✓
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	✓
Mr. Chen Yeung Tak	✓
Ms. Feng Yuan	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") pursuant to requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board Diversity Policy sets out that when considering the nomination and appointment of a director, with the assistance of the Nomination Committee, the Board would consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of perspectives that the candidate is expected to bring to the Board and what would be the candidate's potential contributions, in order to better serve the needs and development of the Company. The board diversity policy also seeks to attract, retain and motivate the Directors and other staff from the widest pool of available talent. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one member with immediate effect and may further increase in the next five years. Since the Listing Date and as at the date of this annual report, the Board comprised one female Board member, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness. The Board and the Nomination Committee had reviewed the implementation and effectiveness of the board diversity policy and was of the view that the board diversity policy and its implementation was sufficient and effective.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

Workforce Diversity

As at 31 December 2024, the gender ratio (male to female) in the workforce (including senior management) of the Company is around 57:26. The Company recognises the importance of gender diversity and endeavours to take steps to promote gender diversity at all levels of the Company (including the Board).

The Group strictly adheres to fair and appropriate employment practices and labour standards. The Group provides job applicants and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age. The Board considered that gender diversity of the workforce of the Group has been well maintained during the year ended 31 December 2024. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the balance of gender diversity in the foreseeable future.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on the directors' and officers' liabilities in respect of any legal actions that may be taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Company.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established the Audit Committee on 2 June 2022 with written terms of reference. The composition of the Audit Committee meets the requirement of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee, among others, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, monitor the integrity of the Company's financial statements, review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, review the financial controls, and risk management and internal control systems of the Company perform other duties and responsibilities assigned by the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chen Yeung Tak, Mr. Liu Yimin and Ms. Feng Yuan. Mr. Chen Yeung Tak is the chairperson of the Audit Committee.

Meetings of the Audit Committee shall be held not less than twice a year. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2024:

- reviewed the consolidated financial statements for the year ended 31 December 2023 and for the six months ended 30 June 2024, the annual report for the year ended 31 December 2023 and the interim report for the six months ended 30 June 2024, the related accounting principles and practices adopted by the Group, the report from the management on the Company's review of the risk management and internal control systems, and recommendation of the re-appointment of the external auditor;
- reviewed the annual audit plan of the external auditor including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and
- reviewed the effectiveness and performance of the Company's financial reporting system, risk management and internal control systems.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

For the year ended 31 December 2024, two Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Chen Yeung Tak (<i>Chairperson</i>)	2/2
Mr. Liu Yimin	2/2
Ms. Feng Yuan	2/2

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company has established the Remuneration Committee on 2 June 2022 with written terms of reference. The primary duties of the Remuneration Committee, among others, are to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of individual Executive Directors and senior management and ensure none of the Directors determine their own remuneration. The Remuneration Committee consists of two Independent Non-executive Directors, namely Ms. Feng Yuan and Mr. Chen Yeung Tak and the chairman of the Board, Mr. Chen Weizhuang. Ms. Feng Yuan is the chairperson of the Remuneration Committee.

Meetings of the Remuneration Committee shall be held at least once a year. Details of the authority and duties of Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, one Remuneration Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Ms. Feng Yuan (<i>Chairperson</i>)	1/1
Mr. Chen Yeung Tak	1/1
Mr. Chen Weizhuang	1/1

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2024:

- reviewed the remuneration of Directors and senior management;
- assessed the performance of executive Directors;
- made recommendations to the Board on the remuneration of individual Executive Directors and senior management; and
- reviewed the Company's share option scheme.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and the recommendations of the Remuneration Committee.

Details of the Director's remuneration in the Group and the five highest paid individuals are set out in note 7 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2024 is set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 1,000,000	3

Nomination Committee

The Company established the Nomination Committee on 2 June 2022 with written terms of reference. The primary duties of the Nomination Committee, among others, are to review the structure, size, composition and diversity of the Board, and select or make recommendations on the selection of individuals nominated for directorships. The Nomination Committee consists of three members, comprising two Independent Non-executive Directors, namely Mr. Liu Yimin and Ms. Feng Yuan and one Executive Director namely Mr. Yu Tianbing. Mr. Liu Yimin is the chairperson of the Nomination Committee.

The Company adopted a nomination policy on 2 June 2022. In conjunction with the board diversity policy, the Board shall consider a number of criteria on the appointment of Directors, and succession planning for Directors, as well as re-appointment of Directors. The criteria include character and integrity, professional qualifications, skills, knowledge, experience, potential contributions to the Board, as well as willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board commitment(s).

Meetings of the Nomination Committee shall be held at least once a year. Details of the authority and duties of Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, one Nomination Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Liu Yimin (<i>Chairperson</i>)	1/1
Ms. Feng Yuan	1/1
Mr. Yu Tianbing	1/1

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2024:

- considered the appointment or re-appointment of the Directors;
- reviewed the board diversity policy; and
- reviewed the independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and are subject to shareholders' approval.

NOMINATION POLICY

The Company has adopted a nomination policy (the "Nomination Policy") which sets out the approach and procedures the Board adopts for the nomination and selection of Directors of the Company, including the appointment of additional Directors, replacement of Directors, and re-election of Directors. The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of the policy, and the summary of which is set out below:

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria would be considered by the Nomination Committee and the Board:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

- i. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- ii. Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

- i. Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- ii. Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing and has performed in compliance with the corporate governance duties as set out in the CG Code which includes to develop and review the Group's policies and practices on corporate governance; to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the report of the Independent Auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid and payable for the year ended 31 December 2024 to the Company's external auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered to the Group	RMB'000
Audit services	860

COMPLIANCE ADVISER

For the purpose of and in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Grande Capital Limited as its Compliance Adviser for the period commencing from the Listing Date and ending on the date of dispatch of the annual report of the Company containing its financial results for the full year ending 31 December 2024.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining an adequate system of internal controls and risk management of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control and risk management systems to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control and risk management systems of the Group through Audit Committee. The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept informed of significant risks that may impact on the Group's performance. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee has received the risk management and internal control evaluation reports prepared by the external internal control review consultant. The reports summarised information relating to the work carried out in the following areas:

1. the results of selective testing of internal control procedures, operation, and the financial records of the Company;
2. a general evaluation of risk management and internal control systems installed by the Company; and
3. an outline of major control issues, if any, noticed during the year under review.

CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the reports and discussed with the management. The Audit Committee acknowledged that the management has been progressively implementing adequate and effective risk management and internal control systems in order to ensure the effective functioning of the Company's operations. The Board of Directors is therefore of the view that the risk management and internal control systems of the Group are effective and adequate. The review on the risk management and internal control systems of the Group would be done on an annual basis. Although the Group does not have an internal audit function, the Board considers that the review on the risk management and internal control systems by the Audit Committee and the Board on a regular basis as well as engaging external internal control review consultant to review the adequacy and effectiveness of the Group's internal control systems would be sufficient to ensure the effective operation of the Group. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

COMPANY SECRETARY

Mr. Yu Tsz Ngo ("Mr. Yu") is the Company Secretary of the Company. Mr. Yu is a director of a corporate secretarial services provider in Hong Kong. Mr. Chen Weizhuang, the Chairman and executive Director, is the primary corporate contact person of the Company with the Company secretary. In compliance with Rule 3.29 of the Listing Rules, Mr. Yu has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.
2. The EGM shall be held within two months after the deposit of such requisition.

If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Procedures for raising enquires

1. Shareholders should direct their enquires about their shareholdings to the Company's branch share registrar in Hong Kong by post to 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.
2. Shareholders may raise questions, request for publicly available information and provide comments and suggestion to the Directors and management of the Company and can be addressed to the Company by post to Unit 2004-6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.
3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Unit 2004-6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong for the attention of the Board or the Company Secretary of the Company.
2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.
3. An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The annual general meeting provides a platform for communication between the Board and the shareholders. The Chairman of the Board as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees, are available to answer questions at shareholders' meeting.

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.weiliholdings.com as a channel to facilitate effective communication with the shareholders.

CORPORATE GOVERNANCE REPORT

The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

Shareholders' Meetings

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.weiliholdings.com) and by post to the Shareholders.
- The Directors, in particular, the chairperson of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.
- The chairperson of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.weiliholdings.com) subsequent to the close of the general meetings.

Corporate Communications

- The Company will send (by post or by electronic means as permitted by the Articles of Association or the Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the Shareholders.
- Shareholders are encouraged to provide their up-to-date contact details to the Hong Kong branch share registrar of the Company in order to facilitate timely and effective communications.

Company's Website

- The Company's website (www.weiliholdings.com) provides the Shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.
- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange's website (www.hkexnews.hk), press releases and newsletters issued by the Company from time to time are also available on the Company's website to facilitate communication between the Company, Shareholders and investment community.
- Information on the Company's website is updated on a regular basis.

CORPORATE GOVERNANCE REPORT

Communication with the Company

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Unit 2004–6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company highly values the view and comment by the Shareholders' and relevant stakeholders to the Company and would invite the Shareholders' and relevant stakeholders to communicate with the Company by employing the abovementioned means.

The Board is of the view that the shareholders' communication policy implemented for the year ended 31 December 2024 was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

Save for the adoption of the second amended and restated memorandum and articles of association of the Company for the purpose of the Listing on 24 May 2024, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2024.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated with limited liability in Cayman Islands on 21 April 2021.

Pursuant to a reorganisation scheme (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the Company became the holding company of the companies now comprising the Group on 6 May 2021.

Details of the Reorganisation are set out in section headed “History, Development and Reorganisation” in the Prospectus.

The Shares of the Company were listed on the Stock Exchange on 30 June 2022 (the “Listing Date”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in manufacturing and sales of cigarette packaging paper in the People’s Republic of China (the “PRC”). There were no significant changes to the Group’s principal activities during the year ended 31 December 2024.

RELATIONSHIP WITH KEY STAKEHOLDERS

The sustainable development of the Group also depends on the support from key stakeholders which comprise of customers, suppliers and employees.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2024, the largest and the top five customers of the Group accounted for approximately 19.1% (2023: approximately 22.9%) and approximately 61.4% (2023: approximately 72.4%) of the Group’s revenue, respectively, for the year.

During FY2024, the Group’s purchase from the largest and the top five suppliers accounted for approximately 32.6% (2023: approximately 23.7%) and approximately 72.0% (2023: approximately 60.8%) of the Group’s total purchase, respectively, for the year.

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

REPORT OF THE DIRECTORS

EMPLOYEES

The Group is committed to upholding the principles of equal opportunities, diversity and anti-discrimination in its workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to gender, age, cultural and educational background, nationality, ethnicity, industry experience, skills and knowledge. The Group conducts performance appraisal to analyse employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to employees based on their performance appraisal.

RESULTS/BUSINESS REVIEW

A review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in Management Discussion and Analysis set out on pages 5 to 11 of this annual report. This discussion forms part of this report of the Directors.

FUTURE DEVELOPMENT

The future development of the Group's business is set out in the section headed "Management Discussion and Analysis" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2024, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a PRC-based cigarette packaging manufacturer, the Group values environmental sustainability and has been striving to integrate the concept into every part of the daily business operations. Discussion on the Group's environmental policies and performances can be found in Environmental, Social and Governance Report set out on pages 44 to 63 in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2024 are set out in Note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during FY2024 are set out in the consolidated statement of changes in equity on page 74 and Note 33(a) to the consolidated financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2024 are set out in Note 33(a) to the consolidated financial statements.

SEGMENT INFORMATION

Details of segment reporting are set out in Note 5 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company information in relation to declaration and payment of dividends. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management.

The Company does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the provisions of the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends such as results of operations, financial condition, profitability, business development, prospect, capital requirements, future cash requirements and availability for business operations, business strategies and future development needs, any restrictions on payment of dividends, and any other factors that the Board may consider appropriate.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend, and any distribution of profits that the Board may deem appropriate. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association.

DIVIDEND

The Board has resolved not to recommend the declaration of final dividend for FY2023 and FY2024.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme (as defined below) the Company did not enter into any equity-linked agreement during the year or subsisted at the end of the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during FY2024 are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 32 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the “Corporate Governance Report” on pages 16 to 31 in this annual report.

ANNUAL GENERAL MEETING (“AGM”) AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 23 May 2025. A notice convening the AGM will be issued and despatched to the shareholders of the Company according to the Articles of Association, the Listing Rules and other applicable laws and regulations.

The register of members of the Company will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025 (both days inclusive), during which period no transfer of shares of the Company may be effected for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificate(s) should be lodged for registration with the Company’s Hong Kong branch share register and transfer office, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Monday, 19 May 2025.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Chen Weizhuang (*Chairman*)

Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin

Mr. Chen Yeung Tak

Ms. Feng Yuan

REPORT OF THE DIRECTORS

In accordance with article 108 of the Articles of Association, all of the Directors will retire by rotation and, being eligible, will offer themselves for election at the AGM.

The Company has received annual confirmations of independence from each of the independent non-executive Directors required under Rule 3.13 of the Listing Rules. Upon the recommendation of the nomination committee of the Company, the Board considered all independent non-executive Directors to be independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract for a term of three years with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and Independent Non-executive Directors has entered into a letter of appointment for a term of one year with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than one month prior written notice.

None of our Directors being proposed for re-election at the forthcoming AGM has any service contract or letter of appointment with any member of our Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

RELIEF OF TAXATION

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

REPORT OF THE DIRECTORS

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Mr. Chen Weizhuang ("Mr. Chen")	Interest in a controlled corporation (Note 2)	339,040,000 (L)	42.38%
Mr. Yu Tianbing ("Mr. Yu")	Interest in a controlled corporation (Note 3)	96,000,000 (L)	12.00%

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
2. The Company is owned as to 42.38% by City Ease Limited ("City Ease"). City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
3. The Company is owned as to 12.00% by Yong Ning Limited ("Yong Ning"). Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

REPORT OF THE DIRECTORS

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

As at 31 December 2024, so far as it was known to the Directors, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest 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 were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
City Ease	Beneficial owner (Note 2)	339,040,000 (L)	42.38%
Ms. Liu Yuezhu	Interest of spouse (Note 3)	339,040,000 (L)	42.38%
Enlighten East Limited ("Enlighten East")	Beneficial owner (Note 4)	146,960,000 (L)	18.37%
Yong Ning	Beneficial owner (Note 5)	96,000,000 (L)	12.00%
Ms. Zhou Huaqin	Interest of spouse (Note 6)	96,000,000 (L)	12.00%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.
2. The Company is owned as to 42.38% by City Ease. City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
3. Ms. Liu Yuezhu (劉月珠) is the spouse of Mr. Chen. Under the SFO, Ms. Liu Yuezhu is deemed to be interested in the Shares in which Mr. Chen is interested.
4. The Company is owned as to 18.37% by Enlighten East. Enlighten East is owned as to 32.66%, 28.57%, 22.44% and 16.33% by Mr. Hu Haoran, Mr. Wu Bo, Mr. Lu Shunhe and Mr. Lin Huan, respectively, and none of them, together with his respective close associates, controls one-third or more of the voting power at the general meetings of Enlighten East.
5. The Company is owned as to 12.00% by Yong Ning. Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.
6. Ms. Zhou Huaqin (周華琴) is the spouse of Mr. Yu. Under the SFO, Ms. Zhou Huaqin is deemed to be interested in the Shares in which Mr. Yu is interested.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

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

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 2 June 2022 are set out below:

(1) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(2) Determination of Eligibility

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of ten years after the date of adoption of the Share Option Scheme to make an offer to any employee (whether full time or part time, including Director) of the Company and its subsidiaries.

(3) Total Number of Shares Available for Issue

A maximum of 80,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in our Shares first commence on the Stock Exchange, may be issued upon exercise of all options to be granted under the Share Option Scheme. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the shareholders' approval.

As at 31 December 2024 and the date of this report, no Share options has been granted by the Company and the outstanding number of Share options available for grant under the Share Option Scheme is 80,000,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company. As at the Listing Date and 31 December 2024, the number of options available for grant under the Share Option Scheme was 80,000,000 Shares, respectively. There was no service provider sublimit set under the Share Option Scheme during the year ended 31 December 2024.

REPORT OF THE DIRECTORS

(4) Maximum Entitlement of Each Eligible Person

The total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in a general meeting of our Company with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(5) Option Period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may in their absolute discretion determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Directors may in their discretion determine the minimum period for which an Option has to be held or other restrictions before its exercise.

(6) Minimum Vesting Period

Except for the general vesting period of 12 months required under the Listing Rules, no minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(7) Acceptance and Payment on Acceptance of the Option

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made. Upon acceptance of the option, the eligible participants concerned shall pay HK\$1 to the Company as consideration for the grant.

(8) Basis of Determining the Exercise Price

The subscription price in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board, provided that it shall not be less than the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

REPORT OF THE DIRECTORS

(9) Remaining Life

Subject to any prior termination by the Company in a general meeting, the Share Option Scheme shall remain in force for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2024 and there was no outstanding option as at 31 December 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2024 and up to the date of this annual report, there was no arrangement made by the Company or its subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

COMPETING INTERESTS

The controlling shareholders, namely City Ease and Mr. Chen (collectively, the "Controlling Shareholder(s)") had entered into the deed of non-competition in favour of the Company on 16 June 2022 (the "Non-competition Undertaking"). Each of the Controlling Shareholders has confirmed that he/it had complied with the Non-Competition Undertaking for the year ended 31 December 2024. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholder with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders for the year ended 31 December 2024.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Related Party Transactions" in Note 31 to the consolidated financial statements, there were no transaction, arrangement and contract of significance, to which the Company's holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted on 31 December 2024 or at any time during the year ended 31 December 2024.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save for those disclosed above or in this report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during FY2024.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during FY2024.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 7 May 2021 and 8 June 2022, the Group entered into agreements (the “Agreements”) with Newpage Financial Press Limited (“Newpage”) for the provision of financial printing services to the Group for the Listing and for a term of not more than three years commencing from the Listing Date, respectively. As at the date of the Agreements and this annual report, Newpage is owned by Mr. Hu Haoran, the non-executive Director of the Company, and an independent third party as to 40% and 60%, respectively.

Since the printing services fees incurred by the Group with Newpage for the year ended 31 December 2024 is less than HK\$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5% for the year ended 31 December 2024, the transactions contemplated thereunder constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders’ approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Save for the disclosed in this annual report, the related party transactions disclosed in Note 31 to the consolidated financial statements did not fall under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders’ approval requirements under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RETIREMENT SCHEME

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees’ payroll. The retirement benefit scheme contributions made by the Group amounted to approximately RMB697,000 during the years ended 31 December 2024 and 31 December 2023. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2024.

For FY2024 and FY2023, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the years ended 31 December 2024 and 31 December 2023 are set out in Note 7 to the consolidated financial statements.

During FY2024, none of the directors or the five highest paid individuals (2023: Nil) waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is 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 for the year ended 31 December 2024 and up to the date of this annual report.

REVIEW OF AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint PricewaterhouseCoopers as auditor of the Company.

EVENTS AFTER 31 DECEMBER 2024

There is no material subsequent event requiring disclosure that has taken place after 31 December 2024 and up to the date of this annual report.

On behalf of the Board
Mr. Chen Weizhuang
Chairman

27 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC.

The Group is pleased to publish the environmental, social and governance (the “ESG”) report (the “ESG Report”), which summarised the ESG management approaches, environmental and social performance of the Group for FY2024.

BOARD STATEMENT

The Board of Directors (the “Board”) values environmental sustainability and has been striving to integrate the concept into every part of the Group’s daily business operations. The Board has incorporated the ESG issues into the Group’s business strategy. To enhance the Group’s resilience and adaptive capacity to potential ESG-related risks and opportunities, all potential ESG issues are covered and evaluated in the annual risk assessment.

The Group has a well-established governance structure to effectively oversee its ESG issues and manage its sustainability performance. The Board has the ultimate responsibility for overseeing the Group’s ESG-related risks and opportunities, establishing the ESG-related strategies and targets of the Group, and reviewing the Group’s performance annually against the ESG-related targets.

Power and authority were delegated to the Group’s executive committee and department heads to handle all ESG-related matters with work of formulating the ESG strategies, executing ESG plan, identifying ESG-related risk and achieving the ESG related goals set up by the executive committee. The Board required the executive committee to provide updates on ESG related laws and regulations, the process and difficulties during implementation.

The executive committee will also regularly review the implementation effectiveness of relevant ESG associated issues, environmental targets are being approved by the Board and required to be updated and cope with the latest regulatory requirements before issuance of the ESG Report.

To ensure all the long-term sustainability goals and targets are relevant to the Group, the Board keeps track and continuously reviews the sustainability priorities through regular stakeholder engagement and embeds the results into the Group’s sustainability initiatives and strategies. The Board also takes into consideration the industry practices, international trends, benchmarks against peers in setting and evaluating the Group’s environmental and social key performance indicators as well as other ESG topics that are material to the Group’s principal business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING BOUNDARIES AND PRINCIPLES

The boundary is consistent with the business units stated in the annual report, which covers the Group's business operations in relation to the manufacturing and sales of cigarette packaging paper in the PRC. The environmental and social key performance indicators disclosure mainly focuses on the Group's production facility operation and office operation in the PRC during FY2024.

The Report was prepared in accordance with the ESG Reporting Guide as set out in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange and is in adherence with the ESG reporting principles of materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant KPIs, and there is no change from previous year in the way the ESG Report has been prepared, unless otherwise stated.

The Group has complied the ESG Report in adherence with the following ESG reporting principles:

- | | |
|---------------|---|
| Materiality: | The Group selected and identified material ESG issues that are significant to the stakeholders and the Group by performing stakeholder engagement and materiality assessment analysis. The information of the stakeholder engagement and materiality assessment has been disclosed in the relevant section under this ESG Report. |
| Quantitative: | Information of the standards, methodologies, assumptions and source of conversion factors used, for the reporting of emissions and energy consumption has been disclosed. Please refer to the relevant section in this ESG Report for details. |
| Balance: | This ESG Report presented the Group's environmental and social performance in an impartial basis to provide an objective reporting disclosure for readers. |
| Consistency: | The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous review year. |

In order to gain an in-depth understanding of stakeholders' expectations for the Group's sustainable development and to improve the Group's ESG performance, the Board continue to communicate with the Group's stakeholders and invite them on a regular basis to participate in materiality assessments, refer to the opinions of different stakeholders to determine the priority of different ESG issues, and formulate the Group's sustainable development strategy. Information on stakeholder communication channels and the materiality assessment conducted by the Group are set out in the sections "Stakeholder Engagement" and "Materiality Assessment" respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

The Group believes that maintaining continuous communication with its stakeholders enables the Group to have a sound grasp of the potential impacts of its business strategies and make informed decisions. Being transparent and honest to the Group's stakeholders is one of the key activities to maintain sustainable development. The following table summarised the aspects that each stakeholder is concerned about and the corresponding communication channels:

Stakeholders	Areas of Concerns and expectations	Communication channels
Shareholders	<ul style="list-style-type: none"> Investment returns Sustainable business development Transparent financial information 	<ul style="list-style-type: none"> Company website General meetings Corporate reports and announcements
Employees	<ul style="list-style-type: none"> Good work environment Business sustainability and job security Career development and promotion Remuneration and benefits, recognition and reward Career development Remuneration and benefits Occupational health and safety 	<ul style="list-style-type: none"> Emails and suggestion box Employee meeting Annual employee performance review Employee training Team building activities
Customers	<ul style="list-style-type: none"> Quality product and services On-time delivery Reasonable prices and personal data protection 	<ul style="list-style-type: none"> Customer feedback and complaints Customer visit
Suppliers	<ul style="list-style-type: none"> Business opportunities, mutual beneficial relationship for sustainable business Fair and open competition Effective collaboration 	<ul style="list-style-type: none"> Supplier qualification and performance assessment On-going direct engagement
Regulatory agencies	<ul style="list-style-type: none"> Compliance with relevant laws and regulations Prevention of tax evasion Information disclosure and reporting materials 	<ul style="list-style-type: none"> Company website and announcements Inspections Tax returns and other information
Community	<ul style="list-style-type: none"> Community development Employment opportunities Environmental protection Social welfare 	<ul style="list-style-type: none"> Community activities Press releases and announcements

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MATERIALITY ASSESSMENT

To ensure the effectiveness of stakeholders engagement, the Group has conducted a materiality assessment in this ESG Report. The Group identified the following 16 ESG issues based on the existing operations, and taking into the consideration of the disclosure requirements of “Environmental, Social and Governance Reporting Guide”

The Group will regularly review the material issues to ensure that the importance of each aspect of issues to different stakeholders can be accurately addressed. During FY2024, no significant change in the material ESG issues was identified as there was no material change in the Group’s operation scope.

The management and staff of each of the Group’s key functions have been involved in the preparation of this Report to assist the Group in reviewing its operations and identifying relevant ESG issues. In order to better understand stakeholders’ views and expectations of the Group’s ESG performance, the Group has collected opinion on key ESG issues from the Group’s stakeholders, including but not limited to employees and management.

The Group’s materiality table for FY2024 is as follows:

Subject Areas	Aspect	ESG issues
A. Environmental	A1: Emissions	Air emissions Greenhouse gas emissions Non-hazardous waste
	A2: Use of Resource	Energy saving Water consumption Packaging material used
B. Social	B1: Employment	Employee policy
	B2: Health and Safety	Safe working environment and protecting employees from occupational hazards
	B3: Development and Training	Staff training
	B4: Labour Standards	Prohibition of child labour and forced labour
	B5: Supply Chain Management	Selecting suppliers based on their awareness of environmental and social responsibility
	B6: Product Responsibility	Product quality Protecting customers’ privacy Protecting intellectual property right
	B7: Anti-corruption	Anti-corruption
	B8: Community Investment	Community investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

The Group is committed to conducting business operations to comply with all applicable environmental laws and regulations, and endeavour to mitigate any negative effects of our operations on the environment. The Group has implemented various measures to ensure our compliance with the applicable environmental protection laws and regulations and our environmental management system has been certified to be in compliance with ISO 14001 certification.

During FY2024, the Group has complied with the applicable environmental laws and regulations that have significant impact on the Group in all material respects, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》).

A1. Emissions

A1.1 Air emissions from the use of vehicles and gaseous fuel consumption

The Group's air emissions are mainly derived from the combustion of fuels in motor vehicles and gaseous fuel consumption for cooking in the office. As at 31 December 2024 and 2023, the Group owned 34 motor vehicles and the details of the air emissions data are set out as follows:

	Unit	FY2024	FY2023
Nitrogen oxides (NO _x)	g	6,315.14	10,512.53
Sulphur oxides (SO _x)	g	205.87	275.77
Particulate matter (PM)	g	464.97	774.02

Please refer to the paragraph headed "A1.5. Measures to mitigate emissions" below in this section of the ESG Report for further details of fuel-saving practices.

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A1.2 Direct (scope 1) and indirect (scope 2) greenhouse gases (“GHG”) emission

For GHG emission, the major direct emission (scope 1) is contributed by the combustion of fuels in motor vehicles, while the indirect emission (scope 2) is resulted from the electricity consumption. Details of the GHG emission data are set out as follows:

	Unit	FY2024	FY2023
Scope 1: Direct emissions from operations that are owned or controlled by the Company	tCO ₂ e	32.56	50.09
Scope 2: Indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company	tCO ₂ e	1,301.10	2,509.71
Total GHG emissions	tCO ₂ e	1,333.66	2,559.80
Emission intensity	tCO ₂ e per million RMB revenue	11.91	13.41

The total GHG emission decreased from approximately 2,559.80 tCO₂e for FY2023 to approximately 1,333.66 tCO₂e for FY2024. Such decrease was due to the temporary reduction in orders of transfer paper and laminated paper, which led to the decrease in production volume and GHG emission emitted during the production process.

Please refer to the paragraph headed “A1.5. Measures to mitigate emissions” below in this section of the ESG Report for further details of the fuel and energy-saving measures.

A1.3 Hazardous waste produced

To the best knowledge of the Directors, the Group was not aware of any significant amount of hazardous wastes generated in its operation during FY2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.4 Non-hazardous waste produced

The major source of the Group's non-hazardous waste produced included solid waste produced during the manufacturing process. Details of the non-hazardous waste data is set out as follows:

	Unit	FY2024	FY2023
Solid waste	tonne	18.34	20.76
Solid waste intensity	tonne/million RMB revenue	0.16	0.11

A1.5 Emission target and measures to mitigate emissions

All practicable practices are adopted to closely monitor and mitigate the environmental impact of the operations.

Although the Group is expected to expand its business operation and headcounts in the coming years, the Group targets to maintain its air emission and GHG emissions at the current level in the coming years by the below measures.

The Group's major source of GHG emissions generated from the production process mainly include the usage of electricity. Each of the laminating machines is equipped with overhead ventilation system which helps to filter GHG before emission. The fan blades of ventilation system are cleaned regularly and the equipment for filtering dust and smoke is maintained regularly to ensure its normal operation. In order to save energy and reduce emissions, the Group promote and adopt the use of energy-saving and efficient equipment, and switch off machinery and electronic appliances when they are not in use.

A1.6 Waste management

The Group has obtained pollutant discharge permit to discharge industrial wastewater and sewage legally. Wastewater produced during operation is mainly domestic sewage, which is processed through wastewater treatment facilities prior to being discharged to municipal wastewater system.

Although the Group is expected to expand its business operation in the coming years, the Group targets to maintain its wastes at the current level in the coming years by the below measures. In order to reduce the impact of solid waste on the environment, the Group has formulated clear guidelines for employees to identify, collect, store and dispose solid waste. Proper trainings are provided for employees on waste classification. Reusable waste, such as paper and toner cartridge are handled by third-party waste management and recycling companies. Other waste which cannot be recycled are handled by waste disposal companies.

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A2. Use of Resources

The Group implements various measures to reduce wastage and consumption levels at the production facility. The Group has promoted various energy conservation measures, including promoting and adopting the use of energy-saving and efficient equipment and switching off machinery and electronic appliances when they are not in use. The Group has also established water conservation measures such as conducting periodic checks and maintenance on water supply system to avoid any leakage of faucets and gaskets.

A2.1 Energy consumption

Details of the energy consumption are set out as follows:

	Unit	FY2024	FY2023
Fuel consumption	kWh	122,745.95	191,047.47
Electricity consumption	kWh	2,132,600.00	4,113,596.00
Energy consumption	kWh	2,255,345.95	4,304,643.47
Energy consumption intensity	kWh/million RMB revenue	20,141.15	22,544.01

Please also refer to the paragraph headed “A1.5. Measures to mitigate emissions” above in this section of the ESG Report for the Group’s energy-efficient practices.

A2.2 Water consumption

Details of the water consumption are set out as follows:

	Unit	FY2024	FY2023
Water consumption	m ³	15,190	10,515
Water consumption intensity	m ³ /million RMB revenue	135.65	55.07

A2.3 Energy efficiency target

Although the Group is expanding its business operation and headcounts in the coming years, the Group targets to maintain its energy consumption at the current level in the coming years. Please also refer to the paragraph headed “A1.5. Measures to mitigate emissions” above in this section of the ESG Report for the Group’s energy-efficient practices.

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A2.4 Sourcing water

The Group has not experienced any difficulties in sourcing water that is fit for purpose.

Notwithstanding the planned expansion of the Group in the coming years, the Group targets to maintain the water consumption in coming years by conducting periodic checks and maintenance on water supply system to avoid any leakage of faucets and gaskets.

A2.5 Packaging material used

Details of the packaging material used are set out as follows:

	Unit	FY2024	FY2023
Paper	tonne	33.0	60.0
Plastic	tonne	14.0	20.0
Metal	tonne	0.3	0.8
Total packaging material used	tonne	47.3	80.8

A3. The Environment and Natural Resources

Save as disclosed in the paragraphs headed “A1. Emissions” and “A2. Use of resources” above, the Directors believe that the production process does not generate a large amount of environmental hazards and does not impose significant adverse impact on the environment and that the environmental protection measures are adequate to comply with all applicable PRC laws and regulations on environmental protection. The Group has implemented various measures to ensure the compliance with the applicable environmental protection laws and regulations and our environmental management system has been certified to be in compliance with ISO 14001 certification.

A4. Climate change

The Group may be exposed to possible financial loss and non-financial detriments arising from environmental and climate-related risks which can be mainly categorised into (i) physical risks; and (ii) transitional risks.

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(A) *Physical risks*

Physical risks represent risks arising from acute weather-related events and chronic shifts in climate patterns such as global warming and extreme weather conditions that potentially cause physical impact to us. The Group's business operations could be susceptible to the physical damages resulting from intense precipitation and floods. For instance, Henan Province which is located in proximity to Hubei Province experienced severe flooding caused by a period of prolonged intense precipitation in July 2021, which resulted in loss of life, widespread damage to property and severe disruption to the transportation network. Properties were washed away and the downpour disrupted electricity, water supplies and internet network in some parts of the Henan Province.

The Directors consider that physical damages resulting from intense precipitation and floods could result in material adverse effect on the business operations, financial conditions and prospects. The Group is principally engaged in the production of cigarette packaging paper products and such products are highly susceptible to water damage. The cigarette packaging paper products will become unusable if they are submerged by flood, resulting in material financial loss to the Group. Further, extreme weather conditions could result in damages to the Group's production facility and machinery, resulting in increased maintenance and replacement cost. In addition, intense precipitation and floods could endanger the health and safety of the Group's employees.

In order to strengthen the protection against intense precipitation and floods, the Group may have to implement enhanced flood protection measures such as installation of flood gate system and improvement in the water and drainage system at the Group's production facility, resulting in an increase in operation costs.

(B) *Transitional risks*

Transitional risks represent risks arising from climate change and climate-related issues resulting in potential changes to the operational practices. Owing to the increasing public awareness on eco-friendliness and the promotion of the use of environmentally friendly cigarette packaging materials by the PRC Government, the cigarette industry is steering towards the use of cigarette packaging paper with eco-friendliness features. The increase in public awareness on eco-friendliness will likely result in a shift in consumer preferences for cigarette packages which are more environmentally friendly. The Group's research and development capability is crucial to the development of cigarette packaging paper products with enhanced eco-friendliness features that match with the evolving requirements and specifications of the customers. Failing to enhance the research and development capabilities to meet the evolving demand of customers may result in a loss of sales and materially and adversely affect the Group's business, results of operations and financial conditions.

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Further, the Group's production activities in the PRC are subject to applicable laws, regulations and standards promulgated by the relevant PRC Government authorities. In the event of any changes in the PRC laws and/or regulations and/or government policies on environmental protection and more stringent requirements are imposed on the Group, the Group may have to incur additional costs and expenses to comply with such requirements. Furthermore, if the Group fails to comply, or is alleged to fail to comply, with the relevant laws and regulations, it may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant PRC judicial or governmental authorities. The Group's reputation may also be adversely affected, resulting in a loss of business as the customers may be less inclined to purchase from manufacturers with environmental non-compliance. Regulatory development and evolution may potentially have significant impacts on the business operations and present transition risks to the Group.

The Group has continuously enhanced the eco-friendliness of the products through research and development. While this may potentially increase the operation costs, the Group's capability in developing products which fulfil the evolving requirements of the customers can be strengthened.

B. SOCIAL

The Group is committed to upholding the principles of equal opportunities, diversity and anti-discrimination in its workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to educational background, industry experience, skills and knowledge. The Group conducts performance appraisal to analyse employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to employees based on their performance appraisal.

B1. Employment

Recruitment

The Group recruits its employees based on their work experience, education background and qualifications. The Group recruits its employees through online recruitment platform, referral from existing employees and recruitment exhibition. The Group assesses available human resources on a continuous basis to determine whether additional personnel are required to cope with the Group's business development. The Group has entered into employment contracts with the employees, which set out, among others, the employee's remuneration, benefits, confidentiality obligations and grounds for termination of the employment. These employment contracts either have no fixed term, or if there is a fixed term, the term is generally up to three years, after which we will evaluate renewals based on performance appraisals.

Remuneration to the employees comprises salaries and allowances and bonuses. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

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The Group adheres to its people-oriented philosophy and considers the employees as the most valuable assets. The Group takes into consideration their expectations and needs in every aspect and strives to safeguard the equal and legal rights of its employees, in particular compensation and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination and other packages and benefits.

The Group has established a labour union for the employees in 2017 in the PRC. The Group organises from time to time various social activities to create a harmonious working environment for the employees. During FY2024, the Group did not have any significant difficulty in recruiting employee and there had been no incidence of labour disputes, claims, litigation, administrative action or arbitration relating to labour disputes that had materially and adversely affected the Group's operations.

During FY2024, the Group has complied with the applicable laws and regulations that have significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, preventing child and forced labour, and other benefits and welfare in all material respects, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Implementation Regulations on the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》).

The Group has established relevant personnel management policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, to safeguard the welfare of its employees and ensure equal opportunities in all aspects. The Group also encourages and advocates diversity of employees and strives to reduce unfair treatment so that they can actively integrate their personal pursuits into the longterm development of the Group. The Group has complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and other relevant laws and regulations on recruitment conditions, remuneration, working hours and leaves, other entitlements, benefits and post-employment management in all material respects, and are committed to providing equal opportunities in the cultivation of talents.

Social insurance and housing provident funds contributions

Pursuant to applicable PRC laws and regulations, including the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund.

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B1.1 Total workforce

As at 31 December 2024, the Group had 83 staff (as at 31 December 2023: 113). All of the Group's staff are located in the PRC. The staff composition of the Group as at 31 December 2024 is as follow:

	As at 31 December 2024	As at 31 December 2023
Number of staff by gender		
Male	57	78
Female	26	35

	As at 31 December 2024	As at 31 December 2023
Number of staff by age		
18 to 25 years old	3	9
26 to 40 years old	32	41
41 to 55 years old	31	45
56 years old or above	17	18

	As at 31 December 2024	As at 31 December 2023
Number of staff by employment type		
Permanent	76	99
Full-time contracted	7	14

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B1.2 Turnover rate

During FY2024, the turnover rates of the Group's staff are as follow:

Staff turnover rate by gender	FY2024	FY2023
Male	47.4%	62.8%
Female	38.5%	37.1%
Staff turnover rate by age	FY2024	FY2023
18 to 25 years old	66.7%	222.2%
26 to 40 years old	15.6%	48.8%
41 to 55 years old	74.2%	42.2%
56 years old or above	41.2%	16.7%
Staff turnover rate by geographical region	FY2024	FY2023
PRC	44.6%	54.9%

B2. Health and Safety

The Group has complied with the relevant statutory requirements concerning occupational health and safety in all material respects, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). The Group is committed to providing a safe and healthy environment for the employees. The Group has established work safety policies and procedures to ensure that the operations are in compliance with applicable work safety laws and regulations. The Group's occupational health and safety management system has been certified to be in compliance with ISO 45001 certification.

B2.1 Number and rate of work-related fatalities

During each of past three financial years, there were no reported cases of work-related fatalities.

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B2.2 Lost days due to work injury

During FY2024, the Group has recorded zero work injury cases (FY2023: 113 lost days due to one work injury case).

B2.3 Occupational health and safety measures adopted

The Group has established a policy in recording and handling accidents. Upon occurrence of an accident, the employees shall report to the relevant department head and the administration department. The relevant department head shall prepare a report detailing the accident, including date and time of the accident, employees involved, cause, confirmation of responsibility, suggestion on rectification, and submit to the administration department. The department shall then carry out an investigation, assess the impact of the accident and recommend appropriate measures to improve safety.

No administrative sanctions or penalties that have a material and adverse effect on the Group's financial condition or business operations have been imposed upon the Group for the violation of PRC occupational health and safety laws and regulations during FY2024, and there were no material work-related injuries or fatalities at the production facility during FY2024.

B3. Development and Training

The Group provides safety education and training to employees and has in place safety guidelines and operating manuals for the manufacturing process. The Group also provides the employees with training programmes on work safety in connection with matters such as the operation of machinery with a view to enhancing occupational safety and minimising the occurrence of work-related accidents and occupational illness. The production department carries out regular safety inspections on the production facility to ensure compliance with the safety measures. Protective devices are installed and warning signs are posted to ensure production machinery is operated safely. The production staff are provided with regular training on the operation of production machinery and occupational safety gear.

The workforce trained during FY2024

	Trained employees as a percentage of total number of employees	Average training hours
Gender		
Male	100%	4
Female	100%	4
Employee Category		
General Management	100%	4
Administration	100%	4
Other staffs	100%	4

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The workforce trained during FY2023

	Trained employees as a percentage of total number of employees	Average training hours
Gender		
Male	100%	4
Female	100%	4
Employee Category		
General Management	100%	4
Administration	100%	4
Other staffs	100%	4

B4. Labour Standards

The Group advocates a community spirit that thrives on mutual respect and equal opportunities. The Group firmly complies with equal opportunities legislation and to ensure diversity and equality, the Group's selection process is non-discriminatory and is solely based on the employees' performance, experience and skills. Employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

B4.1 Measures to avoid child and forced labour

The Group is fully committed to comply with the equal opportunities legislations as well as any relevant law and regulation and does not engage in any forced or child labour. The Group provides detailed guidelines and protocols for tackling the risks in our recruitment process, which is in strict compliance with Regulations on Labour Security Supervision (《勞動保障監察條例》) issued by the State Council of the PRC and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), and makes reference to international labour standards in formulating internal guidance and labour system. All recruitment procedures and promotions are strictly supervised by the Group's human resources management system.

Child labour and force labour are strictly prohibited. In the onboard registration process, applicants are required to submit to the Group certain documentation. The human resources department reviews and verifies the original documents of the applicant to ensure every applicant is qualified and has reached the legal employment age. In case of fraud such as providing false personal information, the Group has the right to terminate the labour contract.

B4.2 Steps to eliminate such practices when discovered

If there is any irregularities on child labour and forced labour, employment with all these candidates will be immediately terminated. The Group would also take responsibility for investigation.

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B5. Supply Chain Management

The Group highly values the long-term cooperation and strategic partnership with its business partners, including its suppliers, which is crucial to mutually sustain the Group's competitive advantage in the industry. The Group endeavors to operate with suppliers who share similar values and uphold high standards of business ethics, environment management and labour management.

B5.1 Number of suppliers

The purchase from the suppliers includes raw materials used in the production process of the Group. The Group maintains an internal list of approved suppliers which is updated on a continual basis. As at 31 December 2024, the Group had more than 55 approved suppliers on the internal list (as at 31 December 2023: more than 104). All of the suppliers on list are based in the PRC. To ensure the product quality, the raw materials procurement policy is to make procurement from those approved suppliers who have passed our quality control assessment and have a satisfactory record of quality and on-time delivery.

B5.2 Procedures for engaging suppliers

The procurement department is responsible for procuring raw materials based on the production needs and inventory level. The Group has maintained a set of internal manual on the procedures and standards for procurement of raw materials. The procurement department generally invites our approved suppliers to submit tender or quotation for supply of materials. In selecting the suppliers, the Group takes into account various factors, including pricing, product quality, production capacity, timeliness of delivery, after-sales service and ability to comply with the requirements and specifications. Depending on the volume of our purchase, once a supplier is selected, the Group typically enters into a framework supply agreement with the supplier. During the contract term of the framework supply agreement, the Group is entitled to place purchase orders with the supplier for procurement of raw materials at the specified pre-agreed unit price. Where the volume of the Group's purchase is relatively insignificant, the Group may directly place purchase orders with the suppliers without entering into a framework supply agreement with them.

To ensure the product quality, the raw materials procurement policy is to make procurement from those approved suppliers who have passed our quality control assessment and have a satisfactory record of quality and on-time delivery. The internal list of approved suppliers is reviewed on a continuous basis based on factors such as pricing, product quality, production capacity, timeliness of delivery, after-sales service and ability to comply with our requirements and specifications.

The Group generally requires the suppliers to provide outgoing quality inspection report and environmental inspection report for each batch of product delivery to ensure the quality of raw materials. The quality control department conducts inspection and testing on raw materials on a sampling basis when they are delivered to our production facility. The suppliers are responsible for replacing any materials which do not meet the relevant standards and bear any associated costs incurred. Furthermore, the Group would conduct site visits at the suppliers' production facilities and conduct periodic evaluation on the suppliers' performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5.3 Practices used to identify environmental and social risks

The Group places a huge emphasis on the environmental and social risks of its suppliers with an aim to reduce the impact of its suppliers on the environment and the society.

The Group's materials are purchased from qualified suppliers whose products meets the requirements of applicable environmental law and regulations.

B5.4 Practices used to promote environmental preferable products and service when selecting supplier

To promote environmental preferable products and service when selecting supplier, suppliers with certain environmental and social responsibility accreditation or no previous record of violation in environmental and social issue will be given preference when same package was offered by the potential suppliers. The Group reviews the selection process regularly to ensure it was properly carried out.

B6. Product Responsibility

The Group believes that the quality and reliability of the products are critical to the Group's success. The Group has established quality assurance standards to meet the customers' requirements.

During FY2024, the Group has been in compliance with relevant laws and regulation regarding to health and safety, advertising, labelling and privacy matters in relation to products and services provided and methods of redress in all material respects.

B6.1 & 6.2 Percentage of products sold subject to recalls for safety and health reasons and number of products and services related complaints

The Group had not received any material claims or complaints from the major customers in relation to the quality of the products and/or any safety and health reasons during FY2024. The Group had not experienced any material sales return during FY2024. The Group had not experienced any cancellation of orders due to product quality issues and/or any safety and health reasons and the Group had not been subject to any material product liability claim during FY2024.

B6.3 Protecting Intellectual Property Right

The Group fully understands the importance of intellectual property rights. The core production technology and critical production processes are crucial to continued success and development. Any infringement of its intellectual rights may seriously affect its business and reputation. Therefore, the Group aspires to protect the Group's patents, brand, trademark and other intellectual property rights and eradicate all infringement of its intellectual property rights. The Group also ensures that its business operation processes are in compliance with the Trademark Law of the PRC (《中華人民共和國商標法》), the Implementation Rules of the PRC Patent Law (《中華人民共和國商標法實施條例》), the Contract Law of the PRC (《中華人民共和國合同法》), the Intellectual Property Law of the PRC (《中華人民共和國知識產權法》), the Anti-unfair Competition Law (《反不正當競爭法》) and other relevant laws, administrative regulations, national standards and industrial standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6.4 Quality assurance process and return policy

As at 31 December 2024, the Group's quality control department was staffed with 8 personnel to implement our quality management system (as at 31 December 2023: 12). The quality control manager has over 15 years of relevant industry experience. Under the quality management system, the Group conducts quality control testing at various stages throughout the production process, including (i) incoming quality check on raw materials; (ii) quality control throughout the production process; and (iii) outgoing quality check on finished products. The Group's quality management system has been certified to be in compliance with ISO 9001 certification. In addition, in recognition of the commitment to work safety and environmental protection, the Group's occupational health and safety management system and environmental management system have been certified to be in compliance with ISO 45001 certification and ISO 14001 certification, respectively.

During FY2024, the Group has complied with relevant laws and regulations concerning product quality in all material respects, including but not limited to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》).

The Group has implemented procedures to ensure that feedbacks from the customers are handled in a timely and appropriate manner. As a general policy, the Group accepts product returns due to defects caused by the Group and bear the costs of having such products returned to the Group after investigation on the cause of the defects. The customers are required to report any quality issue to the Group within a prescribed time, normally three to ten days, upon receipt or use of the products. The Group does not accept any product return unless it is related to quality issue.

B6.5 Consumer data protection and privacy policies

The Group has its privacy policy, pursuant to which all personal and corporate data must be collected in compliance with all relevant privacy laws. The Group requested its staff to protect its customers' privacy and handle all commercially sensitive or confidential information in strict confidence. When cooperating with other companies, the Group enters into corresponding confidentiality agreements, whereby collection, use, storage and deletion of data including third-party patent technology are regulated, while the scope within which such confidential information can be informed of is delimited, in order to prevent any misuse or leaks.

B7. Anti-Corruption

The Group strictly abides by the laws and regulations related to bribery, extortion, fraud and money laundering, including but not limited to the Anti-Unfair Competition Law of the PRC (《反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). The Group upholds a high standard of integrity and has zero tolerance for corruption. The Group promotes clear work ethics to employees, and strictly prohibits bribery, extortion, fraud, money laundering and other unethical behaviours, including gambling, misappropriation of the Group's assets, provision or acceptance of gifts or other improper benefits, etc..

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7.1 Anti-Corruption

During FY2024, no legal cases regarding corruption were brought against the Group or its employees, and the Group is not aware of any incidents of bribery, extortion, fraud, money laundering or other violations.

B7.2 Preventive measures and whistle-blowing procedure

To facilitate its employees to report illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions, the Group has established a whistle-blowing policy and procedures. Employees are encouraged to report any suspicious activities or behaviours that violate our values and Group's policies regarding ethics, including but not limited to events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control. The Group's whistle-blowing policy allows employees to report suspicious cases in a confidential manner.

The Group handles reported cases cautiously and each submitted case will be handled and investigated promptly, thoroughly and seriously. A full investigation will then be conducted, disciplinary action will be applied to the employees involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case. The whistle-blowing policy and its procedures are applicable to all levels of the members of the Group, and have been clearly stipulated in the employee handbook and have been circulated among employees for their reference.

B7.3 Anti-corruption training

During FY2024, the directors and the employees have participated in anti-corruption training by delivering the latest internal manuals and related information to strengthen and refresh related requirement.

B.8 Community Investment

The Group actively participates in community building and care for the disadvantaged. The Group will continue to promote social development and encourage employees to participate in charitable activities.

B8.1 Community investment

The Group recognises the importance of social responsibilities and regards public welfare as one of the core aspects of its corporate culture. During FY2024, the Group has contributed the local community by (i) operating a cultural and sports center, standard basketball court and infirmary that open to the neighbourhood; (ii) employing three disabled person; (iii) purchasing vegetables from poor farmers in the community; and (iv) organising voluntary works including community cleaning and greening.

B8.2 Resources contributed

The Group actively seeks opportunities to repay society and in hope of creating a better living environment for local community. During FY2024, the Group has invested approximately RMB0.6 million (FY2023: RMB0.6 million) and 120 voluntary hours (FY2023: 150 voluntary hours) in the activities mentioned above.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of WElli Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of WElli Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 70 to 142 comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT

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.

Key audit matters identified in our audit are summarised as follows:

- Assessment of the expected credit losses ("ECLs") of trade receivables
- Impairment assessment of property, plant and equipment ("PPE").

Key Audit Matters

How our audit addressed the Key Audit Matter

Assessment of the expected credit losses ("ECLs") of trade receivables

Refer to Note 3.1.2, Note 4 and Note 20 to the consolidated financial statements.

As at 31 December 2024, the Group had gross trade receivables of RMB111,282,000 and ECLs allowance on trade receivables of RMB7,033,000. The provision for loss allowance on trade receivables was RMB1,105,000 during the year ended 31 December 2024.

Management applied Hong Kong Financial Reporting Standard 9 ("HKFRS 9") Financial Instruments by using the permitted simplified approach to measure the lifetime ECLs of trade receivables.

To measure the ECLs, trade receivables were grouped based on shared credit risk characteristics. Management collectively assessed the ECLs taking into account market credit loss rate of relevant industry, in respect of those groups of customers, expected recovery term of those groups of customers and these rates were adjusted to reflect forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future.

We focused on this area because management's assessment on the ECLs of trade receivables involved significant management estimates and judgements.

We have performed the following procedures to address this key audit matter:

We understood, evaluated and tested the management's relevant controls, in relation to the assessment of the ECLs of trade receivables.

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors involved in the ECLs allowance estimation.

We obtained the documentation of management's assessment on ECLs of trade receivables and assessed the ECLs provisioning methodology adopted by management, tested the mathematical accuracy of calculations, and evaluated the appropriateness of forward-looking adjustment with the assistance of our internal valuation expert.

We tested the reliability of market data and historical data used in the ECLs model.

For the management's assumptions, we assessed the appropriateness of customer grouping and expected recovery term used in the ECLs model.

Based on the procedures performed, we considered that management's estimates and judgements applied in the assessment of the ECLs of trade receivables were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Impairment assessment of property, plant and equipment ("PPE")

Refer to Note 4, Note 6 and Note 14 to the consolidated financial statements.

As at 31 December 2024, the Group's net book value of PPE amounted to RMB41,744,000 with a recognized impairment loss of RMB3,208,000.

In consideration of the financial results of the Group are volatile and the revenue declining due to the reduction of orders during the year, management considered there were impairment indicators of PPE and performed impairment assessment on the cash-generate unit ("CGU").

Based on the results of the impairment assessment, RMB3,208,000 of provision for impairment of PPE were recognised in the consolidated income statement for the year ended 31 December 2024.

The recoverable amount of CGU was determined based on value-in-use using cash flow projections. As management's impairment assessment involves a significant degree of judgements in determining the estimates and assumptions such as revenue growth rate, long-term growth rate, gross margins, pre-tax discount rate, we identified the impairment assessment of PPE as a key audit matter.

How our audit addressed the Key Audit Matter

We have performed the following procedures to address this key audit matter:

We understood and evaluated the management's relevant controls, in relation to the impairment assessment of PPE and tested the operating effectiveness of key controls.

We obtained the management's impairment assessment on the CGU and assessed the appropriateness of cash flows projections in calculation of the recoverable amount of the CGU.

We verified the reasonableness of management's assumptions such as the revenue growth rate, gross margin and by comparing the assumptions to approved budget and historical results, and long-term growth rate by comparing to expected GDP growth rate.

With the assistance of our internal valuation expert, we assessed the reasonableness of management's methodology used and the pre-tax discount rate applied, and accessed the mathematical accuracy of the model for impairment testing.

We reviewed the sensitivity analysis performed on revenue growth rate, long-term growth rate, gross margins and pre-tax discount rates within the impairment testing and considered the potential impact of reasonable fluctuations in these parameters and assumptions on the impairment assessment outcomes.

Based on the procedures performed, we considered that management's estimates and judgements applied in the assessment of the impairment of PPE were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Ho Yin.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2025

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Year ended 31 December	
		2024 RMB'000	2023 RMB'000
Revenue	5	111,977	190,944
Cost of sales	6	(108,726)	(173,347)
Gross profit		3,251	17,597
Selling expenses	6	(5,159)	(8,215)
Administrative expenses	6	(13,429)	(17,682)
Provision for loss allowance on financial assets, net	3.1.2	(1,103)	(1,996)
Other income	8	4,096	5,168
Other gains — net	9	297	194
Operating loss		(12,047)	(4,934)
Finance income		891	1,614
Finance costs		(553)	(574)
Finance income — net	10	338	1,040
Loss before income tax		(11,709)	(3,894)
Income tax credit	11	2,219	1,334
Loss for the year		(9,490)	(2,560)
Loss attributable to:			
Shareholders of the Company		(9,490)	(2,560)
Loss per share for profit attributable to shareholders of the Company for the year		(9,490)	(2,560)
Basic and diluted (RMB)	12	(1.2) cents	(0.3) cents

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Loss for the year	(9,490)	(2,560)
Other comprehensive income	—	—
Total comprehensive loss for the year	(9,490)	(2,560)
Attributable to:		
Shareholders of the Company	(9,490)	(2,560)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		As at 31 December	
	Note	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	38,536	21,941
Right-of-use assets	15	2,846	2,923
Intangible assets	16	72	94
Deferred income tax assets	17	3,704	1,836
Prepayment	22	–	19,251
		45,158	46,045
Current assets			
Inventories	19	40,631	57,726
Bills receivable	20	10,722	17,989
Trade receivables	21	104,249	131,766
Prepayments and other receivables	22	3,440	2,998
Restricted cash	23(b)	4,347	13,489
Cash and cash equivalents	23(a)	53,200	95,123
		216,589	319,091
Total assets		261,747	365,136
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	24	6,842	6,842
Other reserves	25	169,866	169,866
Retained earnings		34,012	43,502
Total equity		210,720	220,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		As at 31 December	
		2024	2023
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	28	1,542	1,584
Current liabilities			
Trade and other payables	26	47,485	112,991
Bank borrowings	27	2,000	30,000
Current income tax liabilities		–	351
		49,485	143,342
Total liabilities		51,027	144,926
Total equity and liabilities		261,747	365,136
Net current assets		167,104	175,749

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 70 to 142 were approved by the board of directors on 27 March 2025 and were signed on its behalf.

Yu Tianbing
Director

Chen Weizhuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to shareholders of the Company			Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
As at 1 January 2024	6,842	169,866	43,502	220,210
Comprehensive loss				
— Loss for the year	—	—	(9,490)	(9,490)
— Other comprehensive income	—	—	—	—
Total comprehensive loss	—	—	(9,490)	(9,490)
Appropriation to statutory reserve (Note 25)	—	—	—	—
As at 31 December 2024	6,842	169,866	34,012	210,720
As at 1 January 2023	6,842	169,827	46,101	222,770
Comprehensive loss				
— Loss for the year	—	—	(2,560)	(2,560)
— Other comprehensive income	—	—	—	—
Total comprehensive loss	—	—	(2,560)	(2,560)
Appropriation to statutory reserve (Note 25)	—	39	(39)	—
As at 31 December 2023	6,842	169,866	43,502	220,210

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended 31 December	
	Note	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash used in from operations	29(a)	(10,979)	(22,155)
Interest received		891	1,614
Income tax paid		—	(1,913)
Net cash used in from operating activities		(10,088)	(22,454)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		29	27
Purchase of property, plant and equipment and Intangible assets		(3,665)	(22,420)
Purchase of financial assets at fair value through profit or loss ("FVPL")		(45,000)	(37,950)
Proceeds from disposal of financial assets at FVPL		45,000	37,950
Dividend income from financial assets at FVPL	9	310	165
Net cash used in investing activities		(3,326)	(22,228)
Cash flows from financing activities			
Proceeds from bank borrowings		11,800	40,000
Repayments of bank borrowings		(39,800)	(10,000)
Interest paid on bank borrowings		(553)	(574)
Net cash (used in)/generated from financing activities		(28,553)	29,426
Net decrease in cash and cash equivalents		(41,967)	(15,256)
Cash and cash equivalents at beginning of the year		95,123	110,280
Exchange differences on cash and cash equivalents		44	99
Cash and cash equivalents at end of the year		53,200	95,123

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1 GENERAL INFORMATION

WElli Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 April 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in manufacturing and sales of cigarette packaging paper in the People’s Republic of China (the “PRC”).

The directors consider City Ease Limited (“City Ease”), a company incorporated in the British Virgin Islands (the “BVI”), as the ultimate holding company of the Group and Mr. Chen Weizhuang (“Mr. Chen”) as the ultimate controlling shareholder of the Company.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2022.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors (the “Board”) of the Company on 27 March 2025.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets measured at fair value through other comprehensive income (“FVOCI”) and financial assets at FVPL which are carried at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 BASIS OF PREPARATION *(Continued)*

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1 New and amended standards adopted by the Group

The Group has applied the following standards, amendments and interpretation for the first time for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants — Amendments to HKAS 1;
- Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback — Amendments to HKFRS 16; and
- Supplier Finance Arrangements — Amendments to HKAS 7 and HKFRS 7.

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 BASIS OF PREPARATION *(Continued)*

2.2 Amendments to standards and interpretation not yet adopted

The following amendments to standards and new interpretation have been published but are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These amendments or new interpretation are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual years beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 (i)	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contributions of Assets between and Investor and its Associate or Joint Venture	To be determined

Management is in the process of making an assessment of the impact of the above amendments to standards and new interpretation and considered that these amendments to standards and new interpretation will not result in any substantial changes to the Group's existing accounting policies and presentation of the consolidated financial statements of the Group except for the new and amendments to HKFRS mentioned below:

(i) **HKFRS 18 Presentation and Disclosure in Financial Statements**

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 BASIS OF PREPARATION *(Continued)*

2.2 Amendments to standards and interpretation not yet adopted *(Continued)*

(i) **HKFRS 18 Presentation and Disclosure in Financial Statements** *(Continued)*

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
 - o Foreign exchange differences currently aggregated in the line item "Other (losses)/gains – net" in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
 - o HKFRS 18 has specific requirements on the category in which derivative gains or losses are recognised — which is the same category as the income and expenses affected by the risk that the derivative is used to manage. The Group does not hold any derivative financial instruments, accordingly, the relevant requirements are not applicable to the Group.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, goodwill will be required to be separately presented in the statement of financial position, since the Group does not hold goodwill, the relevant requirements are not applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2 BASIS OF PREPARATION *(Continued)*

2.2 Amendments to standards and interpretation not yet adopted *(Continued)*

(i) HKFRS 18 Presentation and Disclosure in Financial Statements (Continued)

- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
 - o management-defined performance measures;
 - o a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss — this break-down is only required for certain nature expenses; and
 - o for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.
- From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

2.3 Accounting policies

The material accounting policies applied in the preparation of the financial information has been consistently applied to all the years and periods presented, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in the consolidated financial statements, a summary of the other accounting policies information has been set out in Note 34 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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 and interest rate 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. The Group did not use derivative financial instruments to hedge foreign exchange or other risk exposures.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group mainly operates in the PRC with majority of the transactions conducted in the functional currency of the respective group entity. The directors consider the foreign currency risk arising from recognised assets and liabilities to be minimal. Accordingly, no sensitivity analysis is presented for foreign exchange risk. The Group did not hedge against any fluctuation in foreign currency. The Group timely monitors foreign exchange risk and will take measure to minimise foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Bank borrowings issued at fixed rates expose the Group to fair value interest rate risk.

For the years ended 31 December 2024, if the interest rate on bank borrowings increased/decreased by 0.5% with all other variables held constant, the Group's post-tax loss/profit for the year would have been approximately RMB9,000 higher/lower (2023: RMB70,000 higher/lower), respectively.

During the reporting period, the Group did not enter into any interest rate swap to hedge its exposure to cash flow and fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, trade and bills receivables and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these assets in the consolidated statement of financial position.

(i) *Impairment on cash and cash equivalents and restricted cash*

Majority of the Group's cash and cash equivalents and restricted cash are placed in those banks incorporated in the PRC which are reputable local listed commercial banks or state-owned banks. While cash and cash equivalents and restricted cash were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as the Group does not expect any losses from non-performance by these banks as they have no default history in the past.

(ii) *Impairment on trade and bills receivables*

In respect of trade and bills receivables, periodical credit evaluations are performed taking into account the counterparty's financial position, past experience, future economic environment and other factors.

The Group applies the HKFRS 9 simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade and bills receivables.

To measure the ECLs of trade and bills receivables, trade and bills receivables were grouped based on shared credit risk characteristics. For trade receivables, management collectively assessed the ECLs taking into account market credit loss rate. For bills receivable, the ECLs were mainly assessed by taking into account the credit rating for issuing financial institutions.

Trade receivables have been grouped into two categories by the Group's management based on shared credit risk characteristics. Receivables from state-owned enterprises, collectively-owned enterprises and companies invested by state-owned or collectively-owned enterprises are grouped as one category and remaining receivables from other customers are classified as another category. The market credit loss rate adopted when measuring ECLs of trade receivables are relevant to specific industry of those groups of customers, expected recovery term of those groups of customers and these rates were adjusted to reflect forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment on trade and bills receivables (Continued)

Trade receivables

The loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables:

	Current RMB'000	Up to 180 days past due RMB'000	181 days to 1 year past due RMB'000	1-2 years past due RMB'000	Total RMB'000
As at 31 December 2024					
Gross carrying amount					
— trade receivables	42,789	44,639	23,628	226	111,282
Expected loss rate	5.31%	6.85%	7.17%	4.42%	6.32%
Total loss allowance	2,273	3,057	1,693	10	7,033
As at 31 December 2023					
Gross carrying amount					
— trade receivables	88,634	19,532	20,940	8,588	137,694
Expected loss rate	4.13%	4.56%	4.66%	4.69%	4.31%
Total loss allowance	3,660	890	975	403	5,928

As at 31 December 2024 and 2023, approximately 61% and 59% of the Group's net trade receivables were derived from top five customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment on trade and bills receivables (Continued)

Trade receivables (Continued)

Movements on the Group's allowance of impairment of trade receivables are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of the year	5,928	3,943
Provision for loss allowance	1,105	1,985
At end of the year	7,033	5,928

Bills receivable

The loss allowance as at 31 December 2024 and 2023 was determined as follows for bills receivable:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Gross carrying amount — current	10,736	18,000
Expected loss rate	0.13%	0.06%
Total loss allowance	14	11

As at 31 December 2024 and 2023, approximately 94% and 83% of the Group's net bills receivable was derived from top five issuing financial institutions, which are all recognised financial institutions in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Impairment on trade and bills receivables (Continued)

Bills receivable (Continued)

Movements on the Group's allowance of impairment of bills receivable are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	11	17
(Reversal of)/Provision for loss allowance	3	(6)
At the end of the year	14	11

(iii) Impairment on other receivables

For other receivables, the Group made periodic collective assessment on the recoverability based on past experience and forward-looking information.

The Group's other receivables (excluding prepayments, right to the returned goods and recoverable of value added tax) were mainly refundable deposits. The loss allowances as at 31 December 2024 and 2023 for other receivables were determined as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Gross carrying amount — current	2,461	1,372
Expected loss rate	2.16%	4.25%
Total loss allowance	53	58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iii) Impairment on other receivables (Continued)

Movements on the Group's allowance of impairment of other receivables are as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	58	41
(Reversal of)/Provision for loss allowance	(5)	17
At the end of the year	53	58

Trade and bills receivables and other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited to profit or loss. No written-off was made during the reporting period.

3.1.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding through committed credit facilities and takes into account all available information on future business environment including unforeseen crisis on the economies of the countries in which the Group and its customers and suppliers operate. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk (Continued)

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

	Total contractual cash flows — on demand or less than 1 year RMB'000	Carrying amount RMB'000
As at 31 December 2024		
Bank borrowings	2,065	2,000
Trade and other payables (excluding other tax payables, employee benefits payable and refund liabilities)	45,625	45,625
	47,690	47,625
As at 31 December 2023		
Bank borrowings	30,586	30,000
Trade and other payables (excluding other tax payables, employee benefits payable and refund liabilities)	110,766	110,766
	141,352	140,766

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 the shareholders, issue new shares or sell assets to reduce debts. The Group monitors capital on the basis of the gearing ratio. This ratio is equal to total liabilities divided by total assets at the end of corresponding year. Besides, the Group's strategy, which was unchanged during the reporting period, was to maintain the gearing ratio within 80%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The gearing ratio at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total liabilities	51,027	144,926
Total assets	261,747	365,136
Gearing ratio	19%	40%

3.3 Fair value estimation

The Group's financial instruments are carried at fair value as at the end of the reporting period, 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:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfers between levels 1, 2 and 3 during the year. The Group has no financial instruments in level 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) The financial instruments in level 2

The following table presented the financial instruments in level 2 as at 31 December 2024 and 2023:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Bills receivable measured at FVOCI (Note 21)	10,722	17,989

The fair value of financial instruments in level 2 (net of provision for impairment) was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group for similar financial instruments.

(b) The financial instruments in level 3

The following table presented the changes in level 3 instruments as at 31 December 2024 and 2023.:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	—	—
Additions	45,000	37,950
Disposals	(45,310)	(38,115)
Dividend income from financial assets at FVPL (Note 9)	310	165
At the end of the year	—	—

During the year ended 31 December 2024 and 2023, the Group's financial assets at FVPL represented certain non-capital protected wealth management products denominated in RMB and issued by reputable banks in the PRC which primarily invested in listed or unlisted securities and bonds. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) The financial instruments in level 3 (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in fair value measurements of level 3 instruments:

Description	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investment in wealth management products	Expected rate of return	1.80%–2.53%	The higher the expected rate of return, the higher the fair value

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

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 amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of trade and bills receivables

The management determines the provision for impairment of trade and bills receivables and the expected lifetime losses are recognised from initial recognition of the assets. For trade receivables, the ECLs are determined based on market credit loss rate of relevant industry, in respect of those groups of customers, expected recovery term of those groups of customers and these rates were adjusted to reflect forward-looking information on macroeconomic factors. For bills receivable, the ECLs are mainly assessed by taking into account the credit rating for issuing financial institutions and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers or issuing financial institutions, actual or expected significant adverse changes in business and customers or issuing financial institutions' financial position. At every reporting date, market credit loss rate are updated (for trade receivables) and the credit rating for issuing financial institutions (for bills receivable) and changes in the forward-looking estimates are analysed by the Group's management, see Note 3.1.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of long-term non-financial assets

The Group is required to test impairment for long-term non-financial assets, including property, plant and equipment, intangible assets, right-of-use assets, whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. Long-term non-financial assets are tested for impairment based on the recoverable amount of the cash generating unit ("CGU") to which these assets are related. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use. For year 2024 the recoverable amount is determined based on value in use.

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of long-term non-financial assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) revenue growth rates; (ii) long-term growth rate; (iii) profit margin; and (iv) pre-tax discount rate. Details of the methodology and key inputs used are disclosed in Note 14.

(c) Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(d) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in manufacturing and sales of cigarette packaging paper. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. The executive directors of the Company consider that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the businesses of the Group are carried out in the PRC during the reporting period. An analysis of the Group's revenue as well as timing of revenue recognition is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Goods transferred at point in time		
— Sales of cigarette packaging paper and raw materials	106,153	190,752
Services transferred over time		
— Processing service income	5,824	192
	111,977	190,944

During the years ended 31 December 2024 and 2023, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Customer A	45%	23%
Customer B	13%	19%
Customer C	*	12%

* This customer contributed less than 10% of total revenue for the corresponding year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Accounting policies of revenue recognition

Revenue from contracts with customers

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

For a contract where the period between the payment by the customer 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.

(i) Sales of goods

Sales are recognised when control of the products has transferred, being when the products are delivered and accepted and there is no unfulfilled obligation that could affect the customers' acceptance of the products, either on delivery of the products when the products have been placed to the specific location, or when goods are delivered and quality inspected by a customer as the risks of obsolescence and loss are transferred to the customer after quality inspection performed by the customer.

Receivable is recognised when the goods are delivered and accepted, or quality inspected by customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For sales to certain customers with a right of return, revenue is recognised after netting off the estimated sales return. Accumulated experience is used to estimate the return rate. A refund liabilities (included in trade and other payables) and a right to the returned goods (including in prepayments and other receivables) are recognised for the products expected to be refunded.

A contract liability is the obligation to transfer products to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers products to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

(ii) Processing service income

The Group provides processing services to certain customers. Processing service income is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(b) Unsatisfied performance obligation

The Group does not disclose information about remaining performance obligations as their original expected duration is less than one year as permitted under the practical expedient in accordance with HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses were analysed as follow:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and goods used	99,462	166,123
Staff costs (Note 7)	10,453	12,391
Provision for impairment for plant, property and equipment (Note 14)	3,208	—
Depreciation of property, plant and equipment and right-of-use assets (Note 14, 15)	3,106	3,071
Travelling and entertainment expenses	2,228	3,417
Freight charges	1,999	3,742
Utilities	1,733	3,277
Office expense	1,304	1,470
Miscellaneous expenses	1,074	1,042
Auditors' remuneration		
— Audit services	860	1,100
Professional service fees	684	1,472
Maintenance fees	412	572
Provision for impairment for inventories	390	791
Tax surcharges	234	326
Cost of security and cleaning	121	258
Short-term lease expenses	24	170
Amortisation of intangible assets (Note 16)	22	22
	127,314	199,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6 EXPENSES BY NATURE *(Continued)*

Research and development expenses are included in “administrative expenses”. Amounts incurred during the year are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Research and development expenses	4,930	7,267

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages, bonuses and other benefits	9,756	11,694
Pension costs — defined contribution plans	697	697
	10,453	12,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' emoluments

The remuneration paid or payable to the executive directors of the Company during the years ended 31 December 2024 and 2023 was as follows.

Name	Fees RMB'000	Discretionary bonuses RMB'000	Salaries and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended 31 December 2024					
Executive directors					
Mr. Chen	–	–	450	–	450
Mr. Yu Tianbing ("Mr. Yu")	–	–	231	19	250
Non-executive director					
Mr. Hu Haoran ("Mr. Hu")	111	–	–	–	111
Independent non-executive directors					
Mr. Liu Yimin	111	–	–	–	111
Mr. Chen Yeung Tak	200	–	–	–	200
Ms. Feng Yuan	111	–	–	–	111
	533	–	681	19	1,233
Year ended 31 December 2023					
Executive directors					
Mr. Chen	–	–	445	–	445
Mr. Yu Tianbing ("Mr. Yu")	–	36	223	19	278
Non-executive director					
Mr. Hu Haoran ("Mr. Hu")	109	–	–	–	109
Independent non-executive directors					
Mr. Liu Yimin	109	–	–	–	109
Mr. Chen Yeung Tak	196	–	–	–	196
Ms. Feng Yuan	109	–	–	–	109
	523	36	668	19	1,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Directors' emoluments *(Continued)*

- (i) Mr. Chen was appointed as director on 21 April 2021 and re-designated as executive director of the Company on 20 May 2021. He also serves as the chairman of the Board of the Company.
- (ii) Mr. Yu was appointed as executive director of the Company on 19 July 2021. He is also the chief executive officer of the Group.
- (iii) Mr. Hu was appointed as non-executive director of the Company on 19 July 2021. Mr. Liu Yimin, Mr. Chen Yeung Tak and Ms. Feng Yuan were appointed as independent non-executive directors of the Company on 2 June 2022.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended 31 December 2024 and 2023.

No payment was made to the directors as compensation for early termination of appointment during the years ended 31 December 2024 and 2023.

(c) Consideration provided to their parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the years ended 31 December 2024 and 2023.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2024 and 2023.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 31, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group 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 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(f) Five highest paid individuals

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	629	675
Discretionary bonuses	99	105
Pension costs — defined contribution plans	35	35
	763	815

The emoluments of these remaining three (2023: three) individuals of the Group fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument bands		
Nil to Hong Kong dollar ("HKD") 1,000,000	3	3

8 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants related to income (a)	3,338	3,821
Amortisation of deferred income (b) and (Note 28)	42	42
Others	716	1,305
	4,096	5,168

(a) Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the expenses that they are intended to compensate. The government grants related to income have been received were mainly to reward for the contribution to the local economic growth.

(b) Government grants relating to the purchase of land use right are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

9 OTHER GAINS — NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Other gains		
— Dividend income from financial assets at FVPL (Note 3.3(b))	310	165
— Exchange gains	44	99
— Others	—	—
	354	264
Other losses		
— Loss on disposal of property, plant and equipment	(55)	—
— Donation	(2)	(22)
— Others	—	(48)
	(57)	(70)
Other gains — net	297	194

10 FINANCE INCOME — NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits and restricted cash	891	1,614
Finance costs		
— Interest expenses on bank borrowings	(553)	(574)
	(553)	(574)
Finance income — net	338	1,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11 INCOME TAX CREDIT

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Current income tax		
— The PRC income tax	(351)	(350)
Deferred income tax (Note 17)	(1,868)	(984)
Income tax credit	(2,219)	(1,334)

(a) Cayman Islands and BVI profits tax

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) Hong Kong profits tax

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the year.

(c) The PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The applicable withholding tax rates of the group company in Hong Kong is 10%.

(d) The PRC Enterprise Income Tax

Subsidiary incorporated in the PRC has obtained the approvals to become a new and high-technology enterprise and are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the year ended 31 December 2024 (2023: same).

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has considered the Super Deduction to be claimed for the Group entities in ascertaining their assessable profits during reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11 INCOME TAX CREDIT (Continued)

(d) The PRC Enterprise Income Tax (Continued)

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

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Loss before income tax	(11,709)	(3,894)
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions	(1,622)	(362)
Tax effect of:		
— Tax loss for which no deferred tax assets was recognised	340	222
— Expenses not deductible for tax purposes	154	247
— Super deduction for research and development expenses	(740)	(1,090)
Others	(351)	(351)
	(2,219)	(1,334)

(e) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Accumulated deductible losses	7,481	5,426

(f) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
No expiry date	7,481	5,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

12 LOSS PER SHARE

(a) Basic earnings per share

	Year ended 31 December	
	2024	2023
Loss attributable to shareholders of the Company (RMB'000)	(9,490)	(2,560)
Weighted average number of ordinary shares in issue (thousand) (Note)	800,000	800,000
Basic loss per share (in RMB)	(1.2) cents	(0.3) cents

Note: Basic loss per share is calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2024 and 2023 are the same as basic loss per share.

13 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2024 (2023: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic and other equipments RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023						
Cost	19,036	17,945	502	1,561	–	39,044
Accumulated depreciation	(6,936)	(9,129)	(440)	(1,325)	–	(17,830)
Net book amount	12,100	8,816	62	236	–	21,214
Year ended 31 December 2023						
Opening net book amount	12,100	8,816	62	236	–	21,214
Additions	1,820	1,551	251	127	–	3,749
Transfer from construction in progress	–	–	–	–	–	–
Depreciation	(1,103)	(1,680)	(96)	(116)	–	(2,995)
Impairment	–	–	–	–	–	–
Disposals	–	(27)	–	–	–	(27)
Closing net book amount	12,817	8,660	217	247	–	21,941
At 31 December 2023						
Cost	20,837	19,286	753	1,317	–	42,193
Accumulated depreciation	(8,020)	(10,626)	(536)	(1,070)	–	(20,252)
Impairment	–	–	–	–	–	–
Net book amount	12,817	8,660	217	247	–	21,941
Year ended 31 December 2024						
Opening net book amount	12,817	8,660	217	247	–	21,941
Additions	–	–	–	–	22,916	22,916
Transfer from construction in progress	375	726	–	3	(1,104)	–
Depreciation	(1,266)	(1,630)	(47)	(86)	–	(3,029)
Disposals	–	(84)	–	–	–	(84)
Impairment	–	(3,208)	–	–	–	(3,208)
Closing net book amount	11,926	4,464	170	164	21,812	38,536
At 31 December 2024						
Cost	21,212	18,337	753	1,320	21,812	63,434
Accumulated depreciation	(9,286)	(10,665)	(583)	(1,156)	–	(21,690)
Impairment	–	(3,208)	–	–	–	(3,208)
Net book amount	11,926	4,464	170	164	21,812	38,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

- (a) As at 31 December 2024, buildings with net book value of approximately RMB9,912,000 (31 December 2023: RMB11,006,000) were pledged to secure bills payable of the Group (Note 26).
- (b) As at 31 December 2024, no machinery (31 December 2023: RMB5,915,000) was pledged to secure bank borrowings (Note 27).
- (c) Depreciation of the property, plant and equipment was charged to profit or loss as follow:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Cost of sales	2,405	2,471
Administrative expenses	498	452
Research and development expenses	125	69
Selling expenses	1	3
	3,029	2,995

(d) Accounting policies of impairment loss

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit, "CGU"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(e) Impairment tests of property, plant and equipment

As of 31 December 2024, the management identified the cigarette packaging paper production line ("Packaging paper CGU") and the printing machinery ("Printing CGU", classified as construction in progress) as two separate CGUs, as both of them are capable of generating independent cash inflows in active markets. The Printing CGU was newly acquired and in construction as of 31 December 2024. The management planed to put this CGU into production within 2025 and there was no impairment indicator.

During the year ended 31 December 2024, due to insufficient product orders, the revenue of Packaging paper CGU declined year-on-year, resulting in a decrease in the gross profit margin and a net loss for the year. As the business performance of Packaging paper CGU in 2024 was worse than management's expectation, these circumstances contribute to the impariment indication and the management conducted impairment tests on long-term assets of this CGU accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(e) Impairment tests of property, plant and equipment *(Continued)*

As of 31 December 2024, the carrying amount of the Packaging paper CGU is RMB22,850,000 (including property, plant and equipment of RMB19,932,000, intangible assets of RMB72,000, and right-of-use assets of RMB2,846,000), and the recoverable amount of this CGU is RMB19,642,000, which is determined based on value in use (the higher of fair value less costs of disposal and value in use). Consequently, an impairment loss of RMB3,208,000 was recognised for this CGU. The total impairment loss was allocated to individual assets within this CGU on a pro-rata basis, subject to the constraint that the carrying amount of any single asset shall not be reduced below its individual fair value less costs of disposal. Therefore, the entire impairment loss of RMB3,208,000 has been fully absorbed by the respective machineries within this CGU, with no unallocated residual impairment remaining. The impairment loss was recorded in “cost of sales” in the income statement.

The value in use was calculated by using the discounted cash flow method covering an eleven-year period, aligning with the remaining useful life of major long-term assets (the buildings). The cash flow projection was developed based on financial budgets approved by management of the Group covering an one-year period, after considering the current and historical business performance, the future business plan and market data.

The key assumptions and pre-tax discount rate used in the value in use calculations are as follows:

	2025 RMB'000	2026–2035 RMB'000
Revenue growth rate (for the year 2025) (i)	59%	–
Long-term growth rate (from year 2026 to 2035)	–	4%–3%
Gross margin (% of revenue)	13.34%	13.44%–14.07%
Pre-tax discount rate	12.29%	12.29%

- (i) The revenue growth rate applied to the one-year forecast period was determined based on confirmed orders secured through successful bidding processes and procurement intentions derived from ongoing negotiations with existing customers.

The management performed sensitivity analysis on the impact of reasonable possible changes in each of the above significant assumptions, with all other variables held constant, of property, plant and equipment impairment testing at the dates indicated. Based on the fact that the impairment amount shall not be reduced below the single asset's individual fair value less costs of disposal, when the above key assumptions are changed, the recoverable amount would be limited to its fair value less costs of disposal. Therefore, the maximum additional impairment amount shall be RMB329,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

15 RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statements of financial position

	Leasehold land use right RMB'000	Offices RMB'000	Warehouse RMB'000	Total RMB'000
At 1 January 2023				
Cost	3,818	221	47	4,086
Accumulated depreciation	(819)	(221)	(47)	(1,087)
Net book amount	2,999	–	–	2,999
Year ended 31 December 2023				
Opening net book amount	2,999	–	–	2,999
Depreciation	(76)	–	–	(76)
Closing net book amount	2,923	–	–	2,923
At 31 December 2023				
Cost	3,818	221	47	4,086
Accumulated depreciation	(895)	(221)	(47)	(1,163)
Net book amount	2,923	–	–	2,923
Year ended 31 December 2024				
Opening net book amount	2,923	–	–	2,923
Cost-disposals	–	(221)	(47)	(268)
Depreciation-additions	(77)	–	–	(77)
Depreciation-disposals	–	221	47	268
Closing net book amount	2,846	–	–	2,846
At 31 December 2024				
Cost	3,818	–	–	3,818
Accumulated depreciation	(972)	–	–	(972)
Net book amount	2,846	–	–	2,846

As at 31 December 2024, leasehold land use right with net book value of approximately RMB2,846,000 (31 December 2023: RMB2,923,000), were pledged to secure bills payable of the Group (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

15 RIGHT-OF-USE ASSETS (Continued)

(b) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use right	77	76
Warehouse	–	–
	77	76
Interest expense (included in finance cost) (Note 10)	–	–
Expense relating to short-term leases (included in cost of sales and selling expenses) (Note 6)	24	170

The total cash outflow for leases in the years ended 31 December 2024 and 2023 were approximately RMB24,000 and RMB170,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, a warehouse and land. Rental contracts for offices and the warehouse are typically made for fixed periods of more than one year. Rental contract for land is made for fixed periods of 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Besides leasehold land use right, other leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

16 INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
At 1 January 2023			
Cost	216	423	639
Accumulated amortisation	(179)	(344)	(523)
Net book amount	37	79	116
Year ended 31 December 2023			
Opening net book amount	37	79	116
Amortisation	(8)	(14)	(22)
Closing net book amount	29	65	94
At 31 December 2023			
Cost	216	423	639
Accumulated amortisation	(187)	(358)	(545)
Net book amount	29	65	94
Year ended 31 December 2024			
Opening net book amount	29	65	94
Amortisation	(8)	(14)	(22)
Closing net book amount	21	51	72
At 31 December 2024			
Cost	216	423	639
Accumulated amortisation	(195)	(372)	(567)
Net book amount	21	51	72

Amortisation of the intangible assets was charged to profit or loss as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Administrative expenses	8	8
Research and development expenses	14	14
	22	22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17 DEFERRED INCOME TAX

- (a) Deferred taxation is calculated on temporary differences under the liability method using the applicable income tax rate. No deferred tax assets and liabilities are offset as there were no balances of deferred income tax liabilities as at 31 December 2024 and 2023. The analysis of deferred income tax assets was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered within 12 months	1,461	705
— to be recovered after more than 12 months	2,243	1,131
	3,704	1,836

The net movements on the deferred income tax were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	1,836	852
Credited to profit or loss	1,868	984
At the end of the year	3,704	1,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17 DEFERRED INCOME TAX (Continued)

- (b) The movements in deferred income tax assets during the years ended 31 December 2024 and 2023, were as follows:

	Deferred income tax assets				
	Provision for loss allowance and impairments RMB'000	Loss carried forward for future years RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	600	–	244	8	852
(Charged)/credited to profit or loss (Note 11)	419	577	(7)	(5)	984
At 31 December 2023	1,019	577	237	3	1,836
At 1 January 2024	1,019	577	237	3	1,836
Credited/(charged) to profit or loss (Note 11)	705	1,170	(6)	(1)	1,868
At 31 December 2024	1,724	1,747	231	2	3,704

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on remittance of dividends in respect of profits earned by the Company's PRC subsidiary at the applicable tax rate of 10%.

As at 31 December 2024, deferred income tax liabilities of RMB4,182,000 (2023: RMB5,522,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of RMB41,815,000 (2023: RMB55,219,000) of subsidiary in the PRC based on the profits for the year ended 31 December 2024. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Group		
Financial assets		
Financial assets at amortised cost		
— Trade receivables	104,249	131,766
— Other receivables	2,408	1,314
— Cash and cash equivalents	53,200	95,123
— Restricted cash	4,347	13,489
Bills receivable measured at FVOCI	10,722	17,989
	174,926	259,681
Financial liabilities		
Financial liabilities at amortised cost		
— Bank borrowings	2,000	30,000
— Trade and other payables (excluding other tax payables, employee benefits payable and refund liabilities)	45,625	110,766
	47,625	140,766

The Group's exposure to various risks associated with the financial instruments is described in Note 3. The maximum exposure to credit risk at the end of the reporting period was the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

19 INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	31,755	37,461
Work in progress	71	–
Finished goods	9,890	20,965
Packaging materials and others	96	91
	41,812	58,517
Less: provisions for inventories	(1,181)	(791)
	40,631	57,726

(a) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

Cost of inventories included in cost of sales and research and development expenses during the years ended 31 December 2024 and 2023 were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	101,294	169,245
Research and development expenses	2,803	4,765
	104,727	174,010

(b) Amounts recognised in consolidated income statement

Write-downs of inventories to net realisable value amounted to RMB1,180,000 (2023: RMB791,000). These were recognised as an expense during the year ended 31 December 2024 and included in 'cost of sales' in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20 BILLS RECEIVABLE

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bills receivable measured at FVOCI	10,722	17,989

During 2024 and 2023, bills receivable were all bank acceptance, and a total approximately amount of RMB62,132,304 and RMB79,207,000 that have been endorsed to the suppliers, and a total approximately amount of RMB6,000,000 and nil that have been discounted to the bank had been derecognised as the Directors considered substantially all risks and rewards of ownership of those bills receivable have been transferred before maturity. As the bills receivable 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, they are classified as financial assets measured at FVOCI.

As at 31 December 2024, the Group had derecognized banker's acceptances endorsed or discounted but not yet matured, with an aggregate face value of RMB25,665,710.

As at 31 December 2024, bills receivable with carrying amounts of RMB3,000,000 (31 December 2023: nil) were pledged to secure bills payable of the Group (Note 26).

Information about the methods and assumptions used in determining fair value is provided in Note 3.3(a).

(a) Accounting policies of Trade receivables and Bills receivable

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and amounts due from issuing financial institutions in respect of bills received from customers to settle trade receivable, respectively. If collection of trade and bills receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group holds bills receivable with the objective to collect contractual cash flows and to sell bills receivable and therefore measures them subsequently at fair value through other comprehensive income ("OCI"). See Note 21 for further information about the Group's accounting for bills receivables and Note 34.7 and Note 3.1.2 for a description of the Group's impairment policies and impairment of trade and bills receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

21 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables (a)&(c)	111,282	137,694
Less: loss allowance (b)	(7,033)	(5,928)
Trade receivables — net	104,249	131,766

- (a) The carrying amounts of trade receivables were denominated in RMB. The credit period for trade receivables was generally 60 to 180 days from the date of billing during the year. The ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 30 days	29,245	58,064
31 to 90 days	15,255	24,871
91 to 180 days	30,409	21,037
181 days to 1 year	15,530	7,496
1 year to 2 years	20,843	26,226
	111,282	137,694

- (b) Movements of the Group's allowance for impairment of trade receivables are shown in Note 3.1.2.
- (c) As at 31 December 2024, no trade receivables (31 December 2023: RMB120,000,000) were pledged to secure bank borrowings of the Group (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

21 TRADE RECEIVABLES *(Continued)*

- (d) Accounting policies of Trade receivables and Bills receivable

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and amounts due from issuing financial institutions in respect of bills received from customers to settle trade receivable, respectively. If collection of trade and bills receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group holds bills receivable with the objective to collect contractual cash flows and to sell bills receivable and therefore measures them subsequently at fair value through other comprehensive income ("OCI"). See Note 21 for further information about the Group's accounting for bills receivables and Note 34.7 and Note 3.1.2 for a description of the Group's impairment policies and impairment of trade and bills receivables.

22 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in non-current asset		
Prepayment for equipment	—	19,251
Included in current asset		
Other receivables	2,461	1,372
Prepayments for purchase and materials	821	392
Right to the returned goods	200	235
Recoverable of value added tax	11	1,057
	3,493	3,056
Less: loss allowance	(53)	(58)
	3,440	2,998
	3,440	22,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at banks	53,200	95,123

Cash and cash equivalents of the Group were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	51,036	89,098
HKD	1,565	5,316
United States Dollars ("USD")	599	709
	53,200	95,123

The effective interest rates of cash and cash equivalent ranged from 0.001% to 1.75% throughout the year.

(b) Restricted cash

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Restricted cash	4,347	13,489

The Group's restricted cash were with maturity within one year, denominated in RMB and represented bank deposits pledged to banks for the issuance of bank acceptance bills payable in respect of future settlement to suppliers of the Group (Note 26).

The effective interest rates of restricted cash ranged from 0.10% to 1.75% throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

24 SHARE CAPITAL

	Authorised ordinary shares	
	Number of shares (‘000)	HKD’000
As at 31 December 2024 and 2023	10,000,000	100,000
	Issued	
	Number of shares (‘000)	HKD’000 RMB’000
As at 31 December 2024 and 2023	800,000	8,000 6,842

25 OTHER RESERVES

	Share premium RMB’000 (a)	Statutory reserve RMB’000 (b)	Capital reserve RMB’000 (c)	Total RMB’000
As at 1 January 2023	89,979	19,847	60,001	169,827
Appropriation to statutory reserve	–	39	–	39
As at 31 December 2023 and 1 January 2024	89,979	19,886	60,001	169,866
Appropriation to statutory reserve	–	–	–	–
As at 31 December 2024	89,979	19,886	60,001	169,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

25 OTHER RESERVES (Continued)

(a) Share premium

In connection with the Listing of the Company, 200,000,000 ordinary shares were issued at HKD0.63 each for a total consideration of HKD126,000,000 (equivalent to approximately RMB107,754,000) in aggregate on 30 June 2022, which was divided into HKD2,000,000 (equivalent to approximately RMB1,710,000) of share capital and HKD124,000,000 (equivalent to approximately RMB106,044,000) of share premium, respectively.

Listing expenses to be capitalised at approximately RMB10,933,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.

On 30 June 2022, an aggregate of 599,999,000 shares issued and allotted to the shareholders whose names appear on the register of members of the Company as of 2 June 2022 on a pro rata basis by way of capitalisation of the sum of HKD5,999,999 (equivalent to approximately RMB5,132,000) standing to the credit of the share premium account of the Company.

(b) Statutory reserve

In accordance with relevant rules and regulations in the PRC and the Articles of Association of Hubei Qiangda Packaging Industry Co., Ltd. ("Hubei Qiangda"), Hubei Qiangda is required to transfer at least 10% of its profit after taxation calculated under the PRC accounting standards and regulations to a statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous accumulated losses or to increase the capital of Hubei Qiangda. Due to Hubei Qiangda's net loss in 2024, no statutory reserve was appropriated for the year.

(c) Capital reserve

The balance of capital reserve represents the aggregate of the paid-up share capital of the subsidiaries now comprising the Group before the reorganisation.

(d) Bills receivable measured at FVOCI

As at 31 December 2024 and 2023, the Group's bills receivable were measured at FVOCI (Note 21). During the year, the fair value losses of the Group's bills receivable were accumulated within the FVOCI reserve in equity. The accumulated fair value losses in FVOCI reserve were reclassified to profit or loss when the relevant bills receivable were derecognised or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

25 OTHER RESERVES (Continued)

(d) Bills receivable measured at FVOCI (Continued)

Movements of the reserve in relation to bills receivable measured as FVOCI were as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	—	—
Fair value movement	3	(6)
Loss allowance movement	(3)	6
At the end of the year	—	—

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade payables (a)	32,067	69,599
Bills payable (b)	9,694	37,478
Employee benefits payable	1,460	1,919
Other accrued expenses	3,864	3,689
Refund liabilities	215	258
Other tax payable excluding income tax liabilities	185	48
	47,485	112,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

26 TRADE AND OTHER PAYABLES (Continued)

- (a) Ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 30 days	3,186	23,293
31 to 90 days	18,391	29,013
91 to 180 days	7,009	10,543
181 days to 1 year	2,602	6,444
Over 1 year	879	306
	32,067	69,599

- (b) As at 31 December 2024, the bills payable was secured by bank deposits (Note 23(b)), bills receivable (Note 21), buildings (Note 14) and land-use rights (Note 15) (2023: secured by bank deposits, buildings and land-use rights).

- (c) Trade and other payables of the Group were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	47,064	111,033
HKD	421	1,958
	47,485	112,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

27 BANK BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank borrowings — secured	—	30,000
Bank borrowings — unsecured	2,000	—

As at 31 December 2024, the Group had no bank borrowings (31 December 2023: RMB20,000,000) secured by the Group's machinery (Note 14) or trade receivables (Note 20).

As at 31 December 2024, the Group had no bank borrowings (31 December 2023: RMB10,000,000 guaranteed by Mr. Yu) guaranteed by related parties (Note 31).

The Group's bank borrowings were to be settled within one year and denominated in RMB. The weighted average effective interest rates of the Group's bank borrowings as at 31 December 2024 was 3.75% (2023: 3.65%) per annum.

28 DEFERRED INCOME

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants related to purchase of land use right	1,542	1,584

Government grants related to purchase of land use right are recorded as deferred income and amortised in the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the land use right.

The movements of the above government grants during the year are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	1,584	1,626
Amortised as income (Note 8)	(42)	(42)
At the end of the year	1,542	1,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

29 CASH FLOW INFORMATION

(a) Cash used in from operations

Reconciliation of loss before income tax to cash generated from operations was as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	(11,709)	(3,894)
Adjustments for:		
— Depreciation of property, plant and equipment	3,029	2,995
— Depreciation of right-of-use assets	77	76
— Amortisation of the intangible assets	22	22
— Amortisation of deferred income	(42)	(42)
— Net provision for impairment on financial assets	1,103	1,996
— Interest income	(891)	(1,614)
— Interest expenses on bank borrowings	553	574
— Dividend income from financial assets at FVPL	(310)	(165)
— Gain on disposal of property, plant and equipment	55	—
— Net exchange gains	(44)	(99)
— Provision for impairment of inventories	390	791
— Provision for impairment of property, plant and equipment	3,208	—
	(4,559)	640
Changes in working capital:		
— Inventories	16,705	(2,799)
— Trade receivables	26,412	(26,348)
— Bills receivable	7,264	(9,498)
— Prepayments and other receivables	(437)	598
— Restricted cash	9,142	(1,977)
— Trade and other payables	(65,506)	17,229
Cash used in from operations	(10,979)	(22,155)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

29 CASH FLOW INFORMATION *(Continued)*

(b) Net cash reconciliation

Set out below was an analysis of net cash and the movements in net debt for each of the years presented.

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Cash and cash equivalents	53,200	95,123
Bank borrowings — repayable within one year	(2,000)	(30,000)
Net cash	51,200	65,123
Cash and cash equivalents	53,200	95,123
Gross debt — fixed interest rates	(2,000)	(10,000)
Gross debt — variable interest rates	—	(20,000)
Net cash	51,200	65,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

29 CASH FLOW INFORMATION (Continued)

(c) Net cash reconciliation

	Cash and cash equivalents RMB'000	Amount due to related parties — non-trade nature RMB'000	Bank borrowings due within one year RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Total RMB'000
Net cash as at 1 January 2023	110,280	—	—	—	—	110,280
Cash flows — principal	(15,256)	—	(30,000)	—	—	(45,256)
Cash flows — interest	—	—	574	—	—	574
Other non-cash movements						
— Accrued interest expenses	—	—	(574)	—	—	(574)
— Net exchange gain	99	—	—	—	—	99
Net cash as at 31 December 2023	95,123	—	(30,000)	—	—	65,123
Cash flows — principal	(41,967)	—	28,000	—	—	(13,967)
Cash flows — interest	—	—	553	—	—	553
Other non-cash movements						
— Accrued interest expenses	—	—	(553)	—	—	(553)
— Net exchange gain	44	—	—	—	—	44
Net cash as at 31 December 2024	53,200	—	(2,000)	—	—	51,200

30 COMMITMENT

The Group's significant capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December 2024 RMB'000	2023 RMB'000
Property, plant and equipment	—	1,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

The following individuals are related parties of the Group that had significant balances and/or transactions as at/during the years ended 31 December 2024 and 2023:

Name	Relationship
Mr. Chen	Controlling shareholder of the Group
Mr. Yu	Shareholder of the Group
Mr. Hu	Shareholder of the Group
Mr. Wu Bo ("Mr. Wu")	Shareholder of the Group
Mr. Lu Shunhe ("Mr. Lu")	Shareholder of the Group
Mr. Lin Huan ("Mr. Lin")	Shareholder of the Group
Enlighten East Limited ("Enlighten East")	Shareholder of the Group

(b) Key management compensation

Key management includes chairman, executive directors and senior management of the Group.

The compensation paid to the key management during the year, excluding those paid to the executive directors which has been disclosed in Note 7, was shown as below.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Basic salaries, bonus, housing fund, medical insurance and other social insurance	669	660
Pension costs — defined contribution plan	35	35
	704	695

The compensation payable to the key management during the year, was shown as below.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages, bonuses and other benefits	196	246

(c) Bank borrowings guaranteed by related parties

As at 31 December 2024, no bank borrowings of the Group were guaranteed by related parties (31 December 2023: RMB10,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2024 and 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group	
				2024	2023
Directly owned					
Shengxi Global Limited (“Shengxi Global”)	BVI, limited liability company	Investment holding in BVI	USD 1	100%	100%
Indirectly owned					
Hong Kong Welli Holdings Limited (“Hong Kong Welli”)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%
Hubei Qiangda	The PRC, limited liability company	Packages production and retail in the PRC	RMB60,000,000	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	84,728	84,728
Current assets		
Cash and cash equivalents	1,895	5,692
Amount due from a subsidiary	76,226	74,165
	78,121	79,857
Total assets	162,849	164,585
Equity attributable to shareholders of the company		
Share capital	6,842	6,842
Other reserves (a)	174,707	174,707
Accumulated losses (a)	(20,120)	(19,018)
Total equity	161,429	162,531
Liabilities		
Non-current liabilities		
Trade and other payables	1,420	2,054
Total liabilities	1,420	2,054
Total equity and liabilities	162,849	164,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Total other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2023	89,979	84,728	174,707	(17,404)	157,303
Loss for the year	–	–	–	(1,614)	(1,614)
As at 31 December 2023 and 1 January 2024	89,979	84,728	174,707	(19,018)	155,689
Loss for the year	–	–	–	(1,102)	(1,102)
As at 31 December 2024	89,979	84,728	174,707	(20,120)	154,587

34 SUMMARY OF OTHER ACCOUNTING POLICIES

34.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.2 Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

34.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

34.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance income — net. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains — net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.4 Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

34.5 Property, plant and equipment

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.

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.5 Property, plant and equipment *(Continued)*

Depreciation on 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	5–20 years
Machinery	5–10 years
Motor vehicles	6 years
Electronic and other equipments	5 years

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

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 (Note 34.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and included in profit or loss.

34.6 Intangible assets

(i) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated beneficial period of 3 to 10 years based on the remaining using periods between the acquisition date and the expiry date for acquired patent rights.

(ii) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.6 Intangible assets *(Continued)*

(iii) Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects (relating to the design and developing of new or improved products) are recognised as intangible assets if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expenses or cost of sales when incurred. Development costs previously recognised as expenses or cost of sales are not recognised as an asset in a subsequent period.

During the reporting period, all research and development expenditures were recognised in the consolidated statements of comprehensive income as they did not meet the recognition criteria for capitalisation.

34.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.8 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.8 Investments and other financial assets *(Continued)*

(iv) 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. There are three measurement categories into which the Group classifies its debt instruments:

- **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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **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. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains — net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net with other gains — net in the period in which it arises.

(v) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and fair value (either through other comprehensive income or through profit or loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.8 Investments and other financial assets *(Continued)*

(v) Impairment (Continued)

For trade receivables, the ECLs are determined based on the Group's historical observed default rates and market credit loss rate over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the Group's historical observed default rates and market credit loss rate are updated and changes in the forward-looking estimates are analysed.

For bills receivable, the ECLs are mainly assessed by taking into account the credit rating for issuing financial institutions and is adjusted for forward-looking estimates. At every reporting date, the corresponding default rates are adjusted by considering forward-looking factors.

Impairment on other receivables is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECLs.

34.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group company or the counterparty.

34.10 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with maturity date of less than 3 months.

34.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.12 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.

Where any Group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

34.13 Trade and other payables and dividends payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and dividends payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and dividends payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

34.14 Borrowings

Borrowings are initially recognised 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 in profit or loss 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 prepayment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

34.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.16 Current and deferred income tax *(Continued)*

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

34.17 Employee benefits

(i) Short-term obligation

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligation in the consolidated statement of financial position.

(ii) Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligation of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.17 Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

(iv) Housing fund, medical insurance and other social insurance

Employees of the subsidiary in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(v) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

34.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss, separately as "other income", over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment or right-of-use assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.19 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

34.20 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in finance income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

34.21 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.21 Earnings per share *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

34.22 Leases

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are depreciated over the lease periods of 50 years using the straight-line method. The Group's leasehold land payments meet the definition of right-of-use assets under HKFRS 16 and hence have been recognised as such.

Besides that, the Group leases various offices and a warehouse. Rental contracts for offices and the warehouse are typically made for fixed period of more than one year. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as right-of-use assets at the date at which the leased assets are available for use by the Group. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

34.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

35 SUBSEQUENT EVENTS

As from 31 December 2024 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

FINANCIAL SUMMARY

	FY2020 RMB'000	FY2021 RMB'000	FY2022 RMB'000	FY2023 RMB'000	FY2024 RMB'000
Revenue	318,346	370,311	288,962	190,944	111,977
Cost of sales	(248,236)	(288,522)	(228,522)	(173,347)	(108,726)
Gross profit	70,110	81,789	60,440	17,597	3,251
Selling expenses	(7,153)	(10,123)	(9,107)	(8,215)	(5,159)
Administrative expenses	(15,700)	(32,389)	(29,966)	(17,682)	(13,429)
(Provision for)/reversal of loss allowance on financial assets, net	(1,755)	474	934	(1,996)	(1,103)
Other income	3,347	1,972	5,317	5,168	4,096
Other gains — net	451	100	434	194	297
Operating profit/(loss)	49,300	41,823	28,052	(4,934)	(12,047)
Finance income	236	1,070	1,161	1,614	891
Finance costs	(1,171)	(825)	(223)	(574)	(553)
Finance (costs)/income — net	(935)	245	938	1,040	338
Profit/(loss) before income tax	48,365	42,068	28,990	(3,894)	(11,709)
Income tax expense	(6,194)	(6,381)	(4,038)	1,334	2,219
Profit/(loss) for the year	42,171	35,687	24,952	(2,560)	(9,490)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income/(loss) for the year attributable to owners of the Company	42,171	35,687	24,952	(2,560)	(9,490)

FINANCIAL SUMMARY

	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000
Non-current assets	31,863	28,607	25,761	46,045	45,158
Current assets	295,707	265,119	297,011	319,091	216,589
Inventories	37,438	50,099	55,718	57,726	40,631
Trade receivables	142,418	145,076	107,403	131,766	104,249
Bills receivable	9,228	–	8,485	17,989	10,722
Prepayments and other receivables	614	5,106	3,613	2,998	3,440
Restricted cash	68,450	6,260	11,512	13,489	4,347
Cash and cash equivalents	37,559	58,578	110,280	95,123	53,200
Non-current liabilities	1,710	1,668	1,626	1,584	1,542
Current liabilities	222,678	191,061	98,376	143,342	49,485
Trade and other payables	199,632	128,258	95,762	112,991	47,485
Bank borrowings	21,532	10,017	–	30,000	2,000
Dividends payable	–	37,872	–	–	–
Lease liabilities	–	43	–	–	–
Amount due to related parties	–	13,051	–	–	–
Current income tax liabilities	1,514	1,820	2,614	351	–
Net current assets	73,029	74,058	198,635	175,749	167,104
Net assets	103,182	100,997	222,770	220,210	210,720