中寶新材集團有限公司
CHINA TREASURES NEW MATERIALS GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2439

2024
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Zhang Yuqiu *(Chair)*
Mr. Shan Yuzhu *(Chief Executive Officer)*
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Dr. Lai King Yin
Dr. Song Xiaofeng
(Appointed on 28 October 2024)
Mr. Leung Tsz Wing
(Appointed on 21 October 2024)
Mr. Ng Tat Fung
(Resigned on 21 October 2024)
Dr. Sun Shulin
(Resigned on 28 October 2024)

AUDIT COMMITTEE

Mr. Leung Tsz Wing *(Chairman)*
(Appointed on 21 October 2024)
Dr. Lai King Yin
Dr. Song Xiaofeng
(Appointed on 28 October 2024)
Mr. Ng Tat Fung *(Chairman)*
(Resigned on 21 October 2024)
Dr. Sun Shulin
(Resigned on 28 October 2024)

REMUNERATION COMMITTEE

Dr. Song Xiaofeng *(Chairman)*
(Appointed on 28 October 2024)
Mr. Shan Yuzhu
Dr. Lai King Yin
Dr. Sun Shulin *(Chairman)*
(Resigned on 28 October 2024)

NOMINATION COMMITTEE

Dr. Lai King Yin *(Chairman)*
Mr. Li Xiquan
Dr. Song Xiaofeng
(Appointed on 28 October 2024)
Dr. Sun Shulin
(Resigned on 28 October 2024)

ESG COMMITTEE

Mr. Leung Tsz Wing *(Chairman)*
(Appointed as member on 21 October 2024 and re-designated to chairman on 28 October 2024)
Mr. Shan Yuzhu
Mr. Li Peng
Dr. Lai King Yin
Dr. Sun Shulin *(Chairman)*
(Resigned on 28 October 2024)

AUTHORISED REPRESENTATIVES

Mr. Shan Yuzhu
Ms. Wong Po Lam, *HKICPA*
(Appointed on 1 July 2024)
Mr. Yeung Kwong Wai, *HKICPA, AICPA, CFA*
(Resigned on 1 July 2024)

COMPANY SECRETARY

Ms. Wong Po Lam, *HKICPA*
(Appointed on 1 July 2024)
Mr. Yeung Kwong Wai, *HKICPA, AICPA, CFA*
(Resigned on 1 July 2024)

AUDITOR

Forvis Mazars CPA Limited
(formerly known as Mazars CPA Limited)
Certified Public Accountants
Registered Public Interest Entity Auditor
42nd Floor, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

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PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Jiutai Economics Development Zone
Changchun City
Jilin Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

As to Cayman Islands laws:
Ogier
11th Floor
Central Tower
28 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Soochow Securities International Capital Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Changchun Nanguan Huimin Village Bank Co., Ltd
Industrial Bank Co., Ltd Changchun Branch
Bank of Communications Co., Ltd Jilin Province Branch
China Everbright Bank Co., Ltd Changchun Branch

STOCK CODE

2439

WEBSITE

www.jl-ks.cn

CHAIR'S STATEMENT

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**"), hereby present the annual report of the Company (the "**Annual Report**") for the year ended 31 December 2024 (the "**Year**" or "**FY2024**") to the shareholders (the "**Shareholders**") after the listing (the "**Listing**") of the Company's shares (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2023 (the "**Listing Date**").

Our Group principally engages in development and manufacturing of biodegradable plastic product bags in Northeast China and our production base locates in Changchun, Jilin province, the People's Republic of China (the "**PRC**", for the purpose of the Annual Report only, excluding Hong Kong, Macau and Taiwan). Given the growing global emphasis on environmental conservation, the promotion of sustainable development initiatives, and the PRC government's significant efforts to mitigate plastic pollution, our Group has remained committed to its core business strategies by focusing firmly on its core business – development and manufacturing of biodegradable plastic product bags with a view in eliminating the threats of White Pollution in the PRC throughout the Year. The growth of the biodegradable plastic products market is closely linked to the environmental protection policies and regulations established by the PRC government, which aim to restrict and prohibit the use of non-biodegradable plastics and manage plastic pollution (the "**Policies and Regulations**").

In FY2024, the Group's revenue further increased by approximately 11.4% to approximately RMB407.5 million, exhibited a strong performance, as compared to approximately RMB365.8 million achieved in FY2023. The Group's profit attributable to the Shareholders stood at approximately RMB111.2 million, representing a robust increase of approximately 32.4% year-on-year versus approximately RMB84.0 million recorded for FY2023.

Anticipating an increase in demand for biodegradable plastic products, we entered into a transfer agreement to acquire a land located in Changchun, Jilin province, the PRC during the Year to establish a new production base, aimed at enhancing production capabilities and expanding the production lines for biodegradable plastic products. As of the date of this Annual Report, the establishment of this new production base remains in the planning stage.

During the year ended 31 December 2023 (the "**Preceding Year**" or "**FY2023**"), we established two production bases in Dongguan, Guangdong province, the PRC and Anji, Zhejiang province, the PRC. The Dongguan factory commenced full operation in FY2024. However, the Anji factory did not operate during FY2024 as it had not yet achieved the necessary standards for stable production. Recognising that centralizing operations enables us to achieve cost efficiency, supply chain optimisation and strategic market realignment, we ceased operations and terminated the leases for both the Dongguan and Anji factories at the end of FY2024, relocating all machinery to our primary production base in Changchun, Jilin province, PRC. In the future, we will centralize operations at our primary base in Changchun, Jilin province, the PRC. With improvements in business structure and capacity utilisation, we are optimistic that the Group's revenue and profitability will see substantial growth.

Following the Listing, we have successfully raised the net proceeds (the "**Net Proceeds**") of approximately HK$155.4 million, approximately HK$59.2 million of which has been utilised for expansion of new production lines in our Changchun production base and financing research and development ("**R&D**") projects of the Group as well as general working capital up to 31 December 2024. Considering that (i) the Company has an established position in Northeast China and (ii) a majority of our customers located in the Northeast are recurring customers, on 28 March 2025, we resolved to change the use of unutilized Net Proceeds in establishing the Huizhou Production Base in the Southeast China to establish the new production base in Changchun at the newly acquired land in Changchun, Jilin province, the PRC. Our mission for achieving a green environment remains one of our cornerstones of the Group's strategies, we shall review our operational requirements and business strategic approaches from time to time to ensure that this blueprint stays aligned with the latest development in our business and the external risks and uncertainties of economic environment in the PRC.

Details of the Group's performance and achievements, financial analysis and use of net proceeds from Listing for FY2024 are set out in the sections headed "Chief Executive Officer's Review" and "Management Discussion and Analysis" of this Annual Report.

The development of the biodegradable plastic products market in the PRC is driven by the policies and regulations imposed by the PRC Government. Undoubtedly, the PRC Government is committed to uphold a clean and green environment and will continue to strongly support environmental protection industries relating to development and manufacturing of environmental products. It has been clearly stated that by end of 2025, the use of non-biodegradable plastic bags at various marketplaces shall be prohibited. Our business has benefited from a number of favorable policies and initiatives promulgated by the PRC Government, we have confidence that against this backdrop, the prospects for biodegradable plastic products business are optimistic and our Group is well positioned to navigate the business opportunities and challenges ahead.

On behalf of the Board, I would like to take this opportunity to thank our Shareholders and stakeholders for their continued support and our management team as well as employees for their resolute commitments and dedications in pursuing the Group's strategic priorities and long-term goals during the Year.

Zhang Yuqiu
Chair of the Board

Changchun, Jilin, the PRC, 28 March 2025

CHIEF EXECUTIVE OFFICER'S REVIEW

It is my pleasure to report on the Group's business performance for FY2024.

The Group was established in March 2014 primarily engaging in the development and manufacturing of non-biodegradable automobile plastic parts. In response to the Policies and Regulations, we, since 2015, had gradually diversified our business into the development and manufacturing of biodegradable plastic products while maintaining the operation for non-biodegradable automobile plastic parts which accounted for approximately 6.5% and approximately 5.2% of the Group's total revenue during FY2024 and FY2023 respectively.

We made notable achievement in strengthening our brand equity and shareholders' base by the Listing. This strategic move placed us in a strong position in pursuing our mission to further expand the Group's operations in terms of productivity, innovative technologies and sustainability. We had successfully raised the net proceeds (the "**Net Proceeds**") of approximately HK$155.4 million, which were partly utilized during the Year to actualise our strategic imperatives with details as disclosed in this Annual Report.

The Group is primarily focused on the development and manufacture of biodegradable plastic products in Northeast China, with its main production base situated in Changchun, Jilin province, the PRC. To strengthen the Group's production capabilities and enhance the production lines for biodegradable plastic products in Changchun, the Group acquired land in Changchun, Jilin province, the PRC, with plans to establish a new production base in the coming years. As of the date of this Annual Report, the establishment of this new production base remains in the planning stage.

In FY2023, the Group established two production bases in Dongguan, Guangdong province, and Anji, Zhejiang province to address anticipated demand growth for biodegradable plastic products in Southeast China. While the Dongguan factory commenced full operations in FY2024, the Anji factory remained inactive during FY2024 due to it had not yet achieved the necessary standards for stable production.

At the end of 2024, the Group made the strategic decision to consolidate production by relocating all machinery and terminating leases for both Dongguan and Anji factories, centralizing operations at its primary base in Changchun, Jilin Province. This consolidation aligns with the following objectives:

(i) Cost efficiency through ownership advantages: The Group entered into the Agreement (as defined below), in the second half of FY2024. Please refer to the section headed "Significant Investment, Material Acquisitions and Disposals" for further details of the Land Acquisition (as defined below). The Group believes that self-owned land and infrastructure can eliminate recurring lease expenses and ensure long-term cost stability, and larger-scale production in one province can enhance economic benefits.

(ii) Supply Chain Optimisation: Centralizing operations in one province simplifies supplier coordination, minimizes logistics redundancies, and improves inventory management.

(iii) Strategic Market Realignment: While Southeast China remains important, consolidating in Changchun positions the Group to serve growing demand in Northeast China more effectively, leveraging Changchun's logistical connectivity.

Moving forward, the Group will prioritize its bases in Changchun as the cornerstone of its production strategy, ensuring scalability, cost competitiveness, and resilience in a dynamic market.

Our biodegradable products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. During the Year, all our biodegradable products were sold to customers in the PRC, mainly in the Northeast China, which accounted for approximately 80.4% of the Group's total revenue, whilst the sales to other cities in the PRC accounted for the remaining approximately 19.6%.

We had contributed the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely, "GB/T 38082–2019", which was issued by The State Administration for Market Regulation of the PRC and The Standardization Administration of the PRC in October 2019. The "GB/T 38082–2019" has remained as the sole and only national standard in the PRC for biodegradable plastic shopping bags since then. In view of our expertise in the industry and the recognition earned from the PRC Government, we have possessed the competitive strength in the areas of production capabilities, technology level and quality control, which positioned us as the market leader in this policy-driven market.

During the Year, we continued to devote resources to further strengthen our production capacity and deepen our cooperation with major research organizations, including R&D of biodegradable plastic products through collaboration with The Changchun Institute of Applied Chemistry Chinese Academy of Science ("**CIAC**"), a third-party research institute, in which we owned the rights to the R&D results. As biodegradable material technology continues to advance, we are optimising both the performance and cost of these materials, which enhances our competitive edge in the market.

The Group also joined as members of those plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association and The Changchun Die & Mold Industry Association so as to embrace the changing market trends and bring new growth momentum to the Group's business development.

PROSPECT

The development of the biodegradable plastic products market in the PRC is driven by the Policies and Regulations. Since 2021, the PRC Government has gradually imposed the Policies and Regulations in different provinces. During the Year, the PRC Government further imposed the Policies and Regulations in Henan province, which shopping malls, supermarkets, pharmacies, bookstores and other places across Henan province have been prohibited the use of non-biodegradable plastics. In align with the prohibition on use of non-biodegradable plastic products in more provinces in China, the market demand on our biodegradable plastic products has been increased.

Undoubtedly, the PRC Government is committed to uphold a clean and green environment and will continue to strongly support environmental protection industries relating to development and manufacturing of environmental products. It has been clearly stated that the prohibition on the use of non-degradable plastic bags will be expanded to the various marketplaces by the end of 2025. In recent years, the PRC Government has successively issued a series of policies to support the development of biodegradable materials, such as the "Opinions on Further Strengthening the Control of Plastic Pollution (關於進一步加強塑料污染治理的意見)" and "Catalogue of Plastic Products Prohibited or Restricted From Production, Sale and Use (Draft for comments) (禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)", which clearly stipulate and promote the application of biodegradable materials.

In view of (i) the increase in demand of biodegradable plastic products in compliance with the Policies and Regulations; (ii) a number of favorable policies and initiatives promulgated by the PRC Government; and (iii) the fundamental change to the dining and consumption habits of the local residents in the PRC from eating out to preparing meals at home and/or ordering takeaway which, contributed to the increase of sale of perishable food and fruits, and thus, in turn, stimulated the use of biodegradable shopping bags and biodegradable produce bag rolls, we have confidence that against this backdrop, the prospects for biodegradable plastic products business are optimistic and our Group is well positioned to navigate the business opportunities and challenges ahead.

Thanks to our resilient management team, our leading position in the industry as well as the rebound of the economic conditions and market activities in the PRC during the Year, the Group achieved notable strategic progress and delivered a strong financial performance for FY2024. Discussion on the Group's FY2024 financial results is set out in the section headed "Management Discussion and Analysis" in this Annual Report.

Taking this opportunity, I would like to thank our valued Shareholders and customers for their continued trust and support. I would also like to thank my fellow management team and staff for their excellent works and dedications to our strategic achievements throughout FY2024.

Shan Yuzhu
Director and Chief Executive Officer

Changchun, Jilin, the PRC, 28 March 2025

FINANCIAL HIGHLIGHTS

The table below sets forth the selected key financial ratios of the Group for FY2024 and FY2023 and as at the dates indicated:

	2024	2023
Net profit margin[1] *(%)*	**27.6**	23.1
Current ratio[2] *(times)*	**4.5**	5.0
Quick ratio[3] *(times)*	**4.3**	4.7
Gearing ratio[4] (%)	**12.9**	13.7
Return on total assets[5] *(%)*	**16.3**	15.2
Return on equity[6] *(%)*	**20.1**	18.9
Interest coverage ratio[7] *(times)*	**41.1**	25.9

(1) Net profit margin equals to net profit for the year divided by total revenue for the year.

(2) Current ratio equals to total current assets divided by total current liabilities as at the year.

(3) Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year-end.

(4) Gearing ratio equals to total debts divided by total equity as at the year-end. Total debts include interest-bearing borrowings and lease liabilities.

(5) Return on total assets equals to net profit for the year divided by the closing balance of total assets as at the year-end.

(6) Return on equity equals to net profit for the year divided by the closing balance of total equity as at the year-end.

(7) Interest coverage ratio equals to the profit before finance costs and income tax expenses divided by the finance costs for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For FY2024, the Group's revenue recorded an increase of approximately 11.4% to approximately RMB407.5 million, as compared with approximately RMB365.8 million recorded for FY2023. This positive performance was attributed to the continuing demand for biodegradable plastic products, the effectiveness of the Policies and Regulations, and the fundamental change to the dining and consumption habits of the local residents in the PRC from eating out to preparing meals at home and/or ordering takeaway. This led to the increase in sales of the biodegradable plastic products of the Group including biodegradable shopping bags.

Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB245.5 million, representing an increase of approximately 11.4%, as compared with approximately RMB220.4 million for the Preceding Year. This increase was primarily due to the increase in production costs and raw material costs in line with the increased sales during the Year.

Gross Profit and Gross Profit Margin

During the Year, as a results of increase in revenue, the Group recorded gross profit amounted to approximately RMB162.0 million, versus approximately RMB145.5 million recorded for the Preceding Year, representing an increase of approximately 11.3%. The gross profit margin for the Year held steady at approximately 39.8% year-over-year (FY2023: approximately 39.8%).

Other Income

During the Year, the Group's other income amounted to approximately RMB20.3 million, against approximately RMB7.3 million recorded for the Preceding Year, representing increase of approximately 178.1%. Such increase was mainly due to the aggregate impact of (i) the increase in government grant, which amounted to approximately RMB9.8 million for the Year, as compared with approximately RMB2.9 million for FY2023. The government grants included various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred and investments made by the Group. The increase in government grants was mainly due to a subsidy granted to the Group following the successful listing on the Stock Exchange of the Company; (ii) an additional refund of lease payment received in the Year, following an agreement with the lessor in respect of the early terminated lease of Huizhou factory, which amounted to RMB7.9 million; and (iii) the decrease in interest income, which amounted to approximately RMB0.8 million for the Year, as compared with approximately RMB2.5 million for FY2023.

Selling and Distribution Expenses

The Group's selling and distribution expenses for FY2024 amounted to approximately RMB5.4 million, representing a decrease of approximately 6.9%, as compared with approximately RMB5.8 million recorded for FY2023, such decrease was mainly due to the decrease in marketing consultation fee from approximately RMB0.8 million for the Preceding Year to nil for FY2024, which was one-off in nature.

Administrative and Other Operating Expenses

During the Year, the Group's administrative and other operating expenses increased to approximately RMB41.8 million from approximately RMB40.5 million recorded for the Preceding Year. Such increase of approximately 3.2% was primarily attributed to the combined impacts of the following factors: (i) the increase in the R&D expenses by approximately RMB8.8 million mainly incurred for the R&D projects collaborated with CIAC; (ii) the decrease in depreciation of right-of-use assets by approximately RMB5.3 million, which were mainly derived from the early termination of the lease of Huizhou factory during the second half of 2023 and Anji factory in mid-2024; and (iii) the decrease in legal and professional fees by approximately RMB1.9 million due to cost control of the Group.

Finance Costs

During the Year, the Group's finance costs amounted to approximately RMB3.3 million, as compared with the amount of approximately RMB4.0 million for the Preceding Year, representing a decrease of approximately 17.5%. Such decrease was mainly due to (i) the decrease in interest on bank loans by approximately RMB0.2 million; and (ii) the decrease in interest on lease liabilities by approximately RMB0.5 million for the Year.

Listing Expenses

The Group did not record listing expenses during the Year, versus the amount of approximately RMB2.3 million for the Preceding Year. Such decrease was due to the completion of the Listing on 31 March 2023. These expenses were non-recurring in nature and treated as one-off expenses.

Taxation

The Group's income tax expenses increased from approximately RMB15.5 million for the Preceding Year to approximately RMB19.4 million for the Year, representing an increase of approximately 25.2%, which was mainly attributable to the increase of profit before tax as a result of the strong business performance achieved by the Group for the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately RMB112.4 million, whilst the profit for FY2023 was approximately RMB84.6 million. The increase in profit by 32.9% for the Year was mainly resulted from (i) the increase in gross profit derived from the increase in revenue; (ii) the increase in other income; and (iii) the decrease in listing expenses during the Year.

Property, Plant and Equipment

The property, plant and equipment of the Group significantly increased to approximately RMB121.2 million as at 31 December 2024, as compared with approximately RMB99.8 million as at 31 December 2023, which was mainly due to the additions of leasehold improvements at the Changchun Production Base during the Year.

Right-of-use Assets

The Group recorded the right-of-use assets as at 31 December 2024 amounting to approximately RMB1.0 million, versus the amount of approximately RMB11.7 million as at 31 December 2023. The decrease was primarily due to the termination of leases for Dongguan and Anji factories during FY2024.

Inventories

As at 31 December 2024, the inventories balance of the Group stood at approximately RMB22.2 million, compared to approximately RMB21.2 million as at 31 December 2023. The slight increase was primarily due to the increase in the raw materials.

Trade and Other Receivables

As at 31 December 2024, the trade and other receivables of the Group amounted to approximately RMB123.3 million, as compared with approximately RMB108.7 million recorded as at 31 December 2023. The increase was driven by higher sales of biodegradable plastic products during the Year.

Trade and Other Payables

As at 31 December 2024, the trade and other payables of the Group were approximately RMB54.2 million, compared to approximately RMB44.5 million as at 31 December 2023. The rise was attributable to increased production costs and raw material expenses aligned with the increased sales during the Year.

Liquidity and Financial Resources and Capital Structure

The Group exercised high level of prudence through stringent review of liquidity, risk exposure and market conditions and reacted swiftly to identify and mitigate risks.

As at 31 December 2024, the Group had maintained adequate liquidity with bank balances and cash in a total of approximately RMB422.7 million (including bank balances of approximately HK$96.1 million (equivalent to approximately RMB89.0 million), being the unutilized net proceeds raised from the Listing), as compared with approximately RMB315.7 million as at 31 December 2023.

As at 31 December 2024, the Group had interest-bearing borrowings of approximately RMB72.0 million, against approximately RMB49.7 million as at 31 December 2023.

The Group's gearing ratio as at 31 December 2024 was approximately 12.9%, compared to approximately 13.7% as at 31 December 2023. The gearing ratio equals to total debts divided by total equity, whereby total debts include interest-bearing borrowings and lease liabilities.

During FY2024, the Group financed its operations with borrowings from banks and financial institutions and internal cash flows. The Directors considered that the Group maintained at a healthy liquidity position for its business operations with sufficient buffer for contingencies.

Treasury Policies

The Group implemented prudent treasury policies to maintain strong flexibility and capability to fund its business operations and manage unexpected contingencies. During the Year, the management performed credit assessments and evaluation of financial status of its customers to mitigate the Group's credit risk exposure while closely monitored the Group's liquidity position to ensure availability of sufficient financial resources to meet with the Group's funding requirements and commitments.

Exchange Rate Exposure

The majority of the Group's transactions, assets and liabilities were denominated in RMB. Since the exchange rate risk was not significant, the Group did not commit to any financial instruments to hedge against its foreign exchange exposure during the Year. The Directors and senior management closely monitor the foreign exchange exposure of the Group and will consider applicable financial derivatives as and when necessary.

Charge on Group Assets

As at 31 December 2024, the Group's interest-bearing borrowings and lease liabilities were secured by charges over the following assets of the Group:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Buildings	**19,035**	20,561
Leasehold Land	**768**	792
Patents	**73**	82
	19,876	21,435

Contingent Liabilities

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

Commitments

As at 31 December 2024, the Group had capital expenditure commitments of approximately RMB10.0 million *(2023: approximately RMB3.5 million)*, details of which are set out in note 30 to the consolidated financial statements in this Annual Report.

Significant Investments, Material Acquisitions and Disposals

Acquisition of Land

During FY2024, Jilin Province Kaishun New Material Co., Ltd.* ("**Jilin Kaishun**",吉林省開順新材料有限公司), a subsidiary of the Company, as the transferee and Changchun City Jiutai District Natural Resources Bureau* (the "**Natural Resources Bureau**",長春市九台區自然資源局), as transferer entered into a construction land use rights transfer agreement* (the "**Agreement**",《國有建設用地使用權出讓合同》), pursuant to which the transferer agrees to transfer a land located in Changchun Changchun Jiutai Economic Development Zone* (長春市九台經濟開發區) with a total site area of 31,615 sq.m. (the "**Land**") to the transferee at a consideration of approximately RMB10.0 million. The acquisition was completed in January 2025 and the consideration was paid from internal funds. Pursuant to the Agreement, the land use right of the Land is designated for industrial use for a term of grant of 50 years (the "**Land Acquisition**").

The Land Acquisition enables the Group to enhance its production capabilities and expand biodegradable plastic products production lines at Changchun, Jilin province, the PRC.

As none of the applicable percentage ratio(s) in respect of the Land Acquisition exceed 5%, the Land Acquisition did not constitute any a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Save for the Land Acquisition, the Group did not have any significant investments, material acquisitions and disposals during the Year.

* *English for identification purpose only.*

Final Dividend

The Directors do not recommend the payment of a final dividend for the Year *(FY 2023: Nil)*.

Significant Events

Changes of Independent Non-Executive Directors and Changes in Composition of Board Committees

On 21 October 2024, Mr. Ng Tat Fung ("**Mr. Ng**") resigned as an independent non-executive Director. Following the resignation, Mr. Ng shall be ceased to be the chairman of the audit committee of the Company (the "**Audit Committee**"). With effect from 21 October 2024, Mr. Leung Tsz Wing ("**Mr. Leung**") has been appointed as (i) an independent non-executive Director; (ii) the chairman of the Audit Committee; and (iii) the member of the environmental, social and governance committee of the Company (the "**ESG Committee**"). Details of Mr. Ng's resignation and Mr. Leung's appointment are set out in the Company's announcement dated 18 October 2024. Further, with effect from 28 October 2024, Mr. Leung has been re-designated from the member of the ESG Committee to the chairman of the ESG Committee. Details of Mr. Leung's re-designation are set out in the Company's announcement dated 25 October 2024.

On 28 October 2024, Dr. Sun Shulin ("**Dr. Sun**") resigned as an independent non-executive Director. Following the resignation, Dr. Sun shall be ceased to be (i) the chairman of the remuneration committee of the Company (the "**Remuneration Committee**"); (ii) the chairman of the ESG Committee; (iii) the member of the Audit Committee; and (iv) the member of the nomination committee of the Company (the "**Nomination Committee**"). With effect from 28 October 2024, Dr. Song Xiaofeng ("**Dr. Song**") has been appointed as (i) an independent non-executive Director; (ii) the chairman of the Remuneration Committee; (iii) the member of the Audit Committee; and (iv) the member of the Nomination Committee. Details of Dr. Sun's resignation and Dr. Song's appointment are set out in the Company's announcement dated 25 October 2024.

Significant Events After the Reporting Period

Save for the change in use of proceeds per paragraph headed "Change in Use of Proceeds from the Global Offering" and completion on the Land Acquisition per paragraph headed "Significant Investments, Material Acquisitions and Disposal - Acquisition of Land" in this Annual Report, the Group did not have any significant events after the reporting period and up to the date of this Annual Report.

Human Resources

As at 31 December 2024, the Group had a total of 161 employees (As at 31 December 2023: 182) serving its business in the PRC, all our employees stationed in the PRC. Total staff cost including Directors' emoluments and retirement benefit costs for FY2024 amounted to approximately RMB14.4 million, against approximately RMB13.1 million as recorded in the Preceding Year.

The Group remunerated its employees and Directors in line with the prevailing market practices after taking into account their experience, responsibilities and scope of works. The Group has established a share option scheme and share options will be granted to the employees and Directors in accordance with the Group's remuneration policy with reference to the performance of the respective employees and Directors under the terms and conditions of the share option scheme.

FUTURE PLAN AND USE OF PROCEEDS

The Shares were listed on the Stock Exchange on 31 March 2023, the date of Listing, a total of 190,000,000 offer Shares were allotted and issued based on the final offer price of HK$1.05 per offer Share and the Net Proceeds from the Global Offering amounted to approximately HK$155.4 million.

During the Year, the Company had utilized such Net Proceeds in accordance with the purposes as set out in the prospectus of the Company dated 21 March 2023 (the "**Prospectus**"), 2022 and 2023 Annual Report.

As of 31 December 2024, the Company has not yet fully utilized the Net Proceeds of approximately HK$96.1 million (the "**Unutilized Net Proceeds**").

Change in Use of Proceeds from the Global Offering

The Board, having considered the reasons set out in "Reasons for the Change in Use of Proceeds" below, resolved to change the use of the Unutilized Net Proceeds on 28 March 2025. The change in use of proceeds, the revised allocation of adjusted Net Proceeds and the amount of the Unutilized Net Proceeds are set out in the table below:

Original use of proceeds as disclosed in the Prospectus	Original allocation of adjusted Net Proceeds *HK$'000*	Amount of utilized Net Proceeds as at 31 December 2024 *HK$'000*	Amount of the Unutilized Net Proceeds as at 31 December 2024 *HK$'000*	Changed use of proceeds	Revised allocation of adjusted Net Proceeds	Expected timeline for the utilizing Unutilized Net Proceeds amount
Expand biodegradable plastic products production lines at the Changchun Production Base	51,743	18,548	33,195	same	51,743	Expected to be utilized by December 2025
Establish the Huizhou Production Base in the Southeast China	51,588	–	51,588	Establish the new production base in Changchun at the Land	51,588	Expected to be utilized by December 2025
Strengthen R&D capabilities and upgrade existing R&D equipment of the Group	6,682	–	6,682	same	6,682	Expected to be utilized by December 2025
Finance R&D projects of the Group	33,253	33,253	–	same	33,253	Not applicable
Strengthen IT system of the Group	4,662	–	4,662	same	4,662	Expected to be utilized by December 2025
General working capital	7,458	7,447	11	same	7,458	As and when appropriate
	155,386	59,248	96,138		155,386	

Reasons for the Change in Use of Proceeds

The reasons for the above changes in the proposed applications of the Net Proceeds and re-allocation of the Unutilized Net Proceeds are as follows:

As disclosed in the Prospectus, the Net Proceeds were intended to be utilized for establishing new biodegradable production lines at the Changchun Production Base in 2023, with targeted completion of the entire expansion of our Changchun Production Base by the second quarter of 2024. The Company recognized that there would be a delay in the use of proceeds from the Listing. The reasons for such delay were decided after considering several factors, including the persistent economic, financial, and geopolitical complexities worldwide, the challenging business environment in the PRC during 2024, and the foreseeable unstable market conditions in 2025. Additionally, minor changes in our Southeast China expansion plan and the establishment of our Anji factory also contributed to the decision. In the fourth quarter of 2023, the Board conducted a strategic review of establishing our new biodegradable production lines at the Changchun Production Base in light of the aforementioned factors and decided to delay the plan.

This decision was made after considering that (i) the Company has an established position in Northeast China and (ii) a majority of our customers located in the Northeast are recurring customers. Therefore, the Directors considered that carrying out the Southeast China expansion plan should be prioritized in the Company's strategic formulation. Nevertheless, despite the delay, the Company has commenced trial production for the new production machines and equipment purchased during 2023 at the Changchun Production Base. Although the Company did not completed the entire expansion of our Changchun Production Base by the second quarter of 2024, the Company had and would continue the plan to expand our Changchun Production Base.

As disclosed in the Prospectus, the Net Proceeds were intended to be utilized to establish the Huizhou Production Base in Southeast China in 2023. The Company recognized there was a delay in the use of proceeds from the Listing when it decided to deliver equipment and machinery originally ordered for the Huizhou factory site to the Dongguan factory. The reasons for such delay were principally due to (i) an unexpected delay in obtaining approval from Huizhou Development and Reform Bureau (the local branch of the National Development and Reform Commission) regarding the Huizhou factory site, despite the Company having ordered the necessary machinery, carried out planning, and submitted the application for the new factory in the first half of 2023. However, the Group did not obtained all necessary approvals; (ii) during the material period, the Company became aware of an alternative and available factory site in Dongguan, which (a) is nearby to the Huizhou factory (less than 100 kilometres from the original site) and within the same province; (b) received better local government support, as evidenced by the Group's ability to obtain all necessary approvals to commence trial production before 31 December 2023; and (iii) offered lower rental payments per square metre than the Huizhou factory. Therefore, the Board conducted a strategic review of the establishment of the Huizhou Production Base in the fourth quarter of 2023 and adjusted the expansion plan by entering into a rental agreement in Dongguan, terminating the lease agreement of the factory in Huizhou, and relocating our equipment and machinery to Dongguan to avoid material delays in our Southeast China expansion plan as stated in the Prospectus. The Company has utilized internal funds to establish factory in Dongguan without utilizing the Net Proceeds raised from Listing because the purposes were slightly different from the expansion plan set out in the Prospectus. The Southeast China factory was originally planned to be set up in Huizhou, instead of Dongguan, despite these two cities both being located within Guangdong province. Due to the aforementioned factors, the Company decided to use internal funds for the initial investment (i.e. Phase 1 operation).

While the Dongguan factory commenced full operations in FY2024, the Anji factory remained inactive during FY2024 due to not having yet achieved necessary standards for stable production. In the second half of FY2024, the Group entered into the Agreement. The Land Acquisition was completed in January 2025. Please refer to the section headed "Significant Investment, Material Acquisitions and Disposals" for further details of the Land Acquisition. At the end of 2024, the Group made the strategic decision to consolidate production by relocating all machinery and terminating leases for both the Dongguan and Anji factories, planning to establish a new production base in Changchun after the Land Acquisition and centralizing operations in Changchun, Jilin Province, after considering the following factors:

(i) Strategic Consolidation and Cost Efficiency

The Board decided to centralize production operations by establishing a new production base in Changchun, in addition to the existing Changchun Production Base, leveraging the newly acquired self-owned land and infrastructure to eliminate recurring lease expenses and ensure long-term cost stability. For instance, the aggregate annual lease expenses for Dongguan and Anji factories amounted to approximately RMB2.5 million. This shift aligns with the Group's ownership advantage strategy, enabling larger-scale production and economies of scale. The consolidation of operations from the original plan of establishing Huizhou Production Base, the Dongguan and Anji factories into two production bases in Changchun simplifies logistics, reduces redundancies, and enhances inventory management, thereby optimizing the supply chain and improving overall operational efficiency.

(ii) Market Realignment to Serve Core Customer Base

During the Year and the Preceding Year, the Group's sales of biodegradable products to Northeast China both accounted for over 80% of the Group's revenue respectively which underscores the Northeast China region's strategic importance. Establishing a new production base in Changchun strengthens our flexibility to expand our production capacity to meet growing regional demand efficiently while capitalizing on existing customer relationships and logistical networks in the region. This new production base complements the existing Changchun Production Base to ensure proximity to recurring clients, reduce transportation costs, and position the Group to capture further market share in its core operating region.

(iii) Enhanced Control and Proven Execution Capability in Changchun

The original plan to establish the Huizhou Production Base faced significant delays due to unforeseen challenges in securing regulatory approvals, despite the Group's proactive planning and resource allocation, while the Anji factory remained inactive during FY2024 because it had not yet achieved the necessary standards for stable production. In contrast, the Group's established presence in Changchun, where it has operated its primary production base for years, ensures stronger alignment with local regulatory frameworks and streamlined processes. The newly acquired land in Changchun is situated in a region where the Group already maintains robust relationships with local stakeholders, having successfully executed its primary production base previously. This familiarity reduces administrative friction and operational risks, enabling faster infrastructure development and minimizing uncertainties and challenges associated with new geographical region. By prioritizing Changchun, the Group leverages its proven track record of execution in Northeast China, ensuring efficient utilization of proceeds to meet growth objectives.

(iv) Resource Optimization Post-2024 Strategic Review

Following a comprehensive review of the 2024 financial and operational performance, the Board concluded that redirecting resources to establish a new self-owned production base in Changchun maximizes capital efficiency. The decision reflects lessons learned from the significant delays in the original plan of establishing Huizhou Production Base or the challenges of Anji factory meeting the necessary standards for stable production. Redirecting resources from Huizhou Production Base to establish a new self-owned facility in Changchun aligns with the Group's long-term vision to expand in the biodegradable plastics market.

The Board has considered that the strategic direction of the Company is still in line with the disclosures in the Prospectus in spite of the change in use of the Unutilized Net Proceeds as stated above. The Board confirms that there is no material change in the business nature of the Company as set out in the Prospectus, and considers that the change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively and efficiently to advance the production capacity and operation efficiency of the Company, and is therefore in the best interest of our Company and the Shareholders as a whole.

Save as the changes disclosed above, there are no other proposed changes in the use of the Net Proceeds. The Unutilized Net Proceeds will be applied in a manner consistent with the above planned applications and remains subject to change based on our current and future development of market conditions and actual business needs.

As at 31 December 2024, the Unutilized Net Proceeds were deposited into licensed banks in Hong Kong and the PRC, respectively.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Zhang Yuqiu (張玉秋) ("Ms. Zhang"), aged 49, is the co-founder of our Group. She is the Chair of our Board, executive Director, and one of our Controlling Shareholders. Ms. Zhang is also the spouse of Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. She was appointed as an executive Director and the chair of our Board on 16 May 2022. She currently holds directorship in Jilin Kaishun, a subsidiary of our Company. Ms. Zhang is in charge of the operational function of our Group and assisting in the management of our Group's R&D efforts.

Prior to co-founding our Group in March 2014, Ms. Zhang started her own business in the logistics services industry in December 2004 with Mr. Shan. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd.* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd.* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for construction, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunities on environmental materials business.

Ms. Zhang joined the part-time courses and obtained a diploma in economics and corporate management from Changchun University for Employees (長春市職工大學) in the PRC in July 2002.

Mr. Shan Yuzhu (單玉柱) ("Mr. Shan"), aged 51, is an executive Director and the chief executive officer of our Group, one of the authorised representatives (the **"Authorised Representative"**) of our Company and one of our Controlling Shareholders. Mr. Shan is also the spouse of Ms. Zhang, our executive Director and one of our Controlling Shareholders. He was appointed as a Director on 1 February 2022 and was re-designated as an executive Director on 16 May 2022. Mr. Shan was also appointed as the chief executive officer of our Company on 16 May 2022. He holds directorship in each of the subsidiaries of our Group. Mr. Shan is responsible for overseeing overall strategic planning and general management and daily operation of our Group, and leading our Group's R&D efforts. Mr. Shan is also a member of each of the Remuneration Committee and the ESG Committee.

Prior to co-founding our Group in March 2014, Mr. Shan served as a driver in the Chinese People's Armed Police Force Fire Brigade Changchun Branch (中國人民武裝員警部隊長春市消防支隊) from December 1991 to December 1993. From March 1995 to March 2000, Mr. Shan was attached to Changchun City Transportation Operation Company* (長春市運輸經營總公司) and provided logistics services. Mr. Shan started his own business in the logistics services industry in December 2004 with Ms. Zhang. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan then established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for constructions, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunity on environmental materials business. In addition to his work experiences, Mr. Shan was also recognised in the biodegradable plastic industry. Mr. Shan was one of the drafters and participated in the drafting of the GB/T 38082-2019 standard in the PRC, a standard for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019.

Mr. Shan obtained a bachelor's degree in industrial and commercial management from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2006.

Mr. Li Xiquan (李溪泉) ("Mr. Li"), aged 52, is an executive Director and the vice president of the administrative department of our Group and one of the Pre-IPO Investors. Mr. Li joined our Group in May 2021 as the vice president of our administrative department, responsible for overseeing the daily administrative and human resources management of our Group. Mr. Li is also a director of Jilin Kaishun, a subsidiary of our Company. He was appointed as an executive Director on 16 May 2022. Mr. Li is also a member of the Nomination Committee.

Mr. Li has over 12 years of investment experience and almost 22 years of corporate management experience in different industries. From 1995 to 2001, Mr. Li worked at Shenyang Military Region Insurance Service Centre (瀋陽軍區保險服務中心). From April 2004 to April 2010, he worked as administrative manager of Heilongjiang Province Jingwei Cultural Communication Co., Ltd.* (黑龍江省經緯文化傳播有限公司), which was principally engaged in advertisement design and information consultation. From April 2010 to December 2020, Mr. Li co-invested with his friend in the hotel business in Qitaihe City, Heilongjiang province, including Qitaihe City Taoshan District Xilong Hotel (七台河市桃山區禧龍賓館). From April 2010 to February 2021, Mr. Li worked as the administrative general manager of Jiamusi City Oriental Hospital Co., Ltd (佳木斯市東方醫院有限責任公司) and was principally responsible for general administrative management. In May 2021, Mr. Li invested in Jilin Kaishun and has since acted as the vice president of the administrative department of our Group.

Mr. Li obtained a bachelor's degree in economics and management from Heilongjiang University of Finance and Economics (黑龍江財經學院) in the PRC in June 2012.

Mr. Li Peng (李鵬), aged 30, is an executive Director and the vice president of our production department. Mr. Li Peng joined our Group after his graduation from university in July 2016. He was appointed as an executive Director on 16 May 2022. Mr. Li Peng is responsible for supervising the production operation of our Group. Mr. Li Peng is also a member of the ESG Committee.

Mr. Li Peng joined Jilin Kaishun in July 2016 as an assistant to the chair of the board of directors of Jilin Kaishun, who at the relevant time was Mr. Shan. Mr. Li Peng assisted Mr. Shan to manage Jilin Kaishun, including (i) assisted Mr. Shan in organizing discussions among different departments of our Group covering strategic development plans, tendering and sales, and R&D, production and quality control of our products; (ii) assisted Mr. Shan in formulating corporate governance measures and policies; and (iii) acted as the liaison between our Board and competent governmental authorities or external parties. In July 2018, after accumulated experiences by working closely with Mr. Shan, Mr. Li Peng was promoted to the vice president of our production department. Our Directors believe that although Mr. Li Peng is relatively inexperienced in the beginning, through his work experience with us, he is able to understands better of our operations, and provide our Board a more diversified view, especially with a younger mindset and ideas for initiatives of biodegradable products.

On 29 July 2022, Mr. Li Peng was appointed as the committee member of the expert committee of Jilin Province Packaging Technology Association* (吉林省包裝技術協會), a provincial industry association governed by the Jilin Province Department of Civil Affairs* (吉林省民政廳). Mr. Li Peng obtained a bachelor's degree in mechatronics technology from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2016.

Independent Non-executive Directors

Dr. Lai King Yin (賴景然) ("Dr. Lai"), aged 42, was appointed as our independent non-executive Director on 9 March 2023. Dr. Lai is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Nomination Committee, and a member of each of the Audit Committee, Remuneration Committee and the ESG Committee.

Dr. Lai has more than 17 years of research experience and more than seven years corporate management experience. In June 2014, Dr. Lai co-founded Novus Life Sciences Limited (薪創生命科技有限公司) ("**Novus**"), a graduated company of the Incu-Bio Programme of Hong Kong Science and Technology Parks Corporation, which is primarily engaged in the R&D and production of biomaterials for use in orthopaedics. Since February 2015, Dr. Lai has served as an executive director of Novus responsible for management of daily operation of Novus. He also took a leading role in establishing a French branch office of Novus in France in 2017. Dr. Lai was trained as a researcher in the State Key Laboratory of Emerging Infectious Diseases, The University of Hong Kong ("**HKU**"), a laboratory established by the Ministry of Science and Technology of the PRC in recognition of the outstanding contribution made by HKU scientists in response to the Severe Acute Respiratory Syndrome outbreak during 2003/2004.

In October 2021, Dr. Lai joined HKU School of Professional and Continuing Education and has since served as a part-time lecturer for the bachelor's degree course in Pharmaceutical Science. In 2021, Dr. Lai founded Research Institute for Technology Application Limited, a company principally engaged in providing consulting service in technology application and business strategy, assisting enterprises in researching innovation and technology demands and upgrading and transformation strategies under the support of the Government of the HKSAR and the Angel Investment Foundation, and has since served as a director.

Dr. Lai obtained a Bachelor of Science degree with a major in animal and plant biotechnology, a Master of Medical Sciences, a Master of Philosophy degree in Microbiology and a Doctor of Philosophy degree in Surgery from HKU, in December 2005, December 2006, November 2010 and in November 2015, respectively. Dr. Lai was awarded the French Tech Ticket and granted a "Passport Talent" in 2017 by the French Government. From 2009 to 2018, Dr. Lai published more than ten research journal articles and was invited to write for a book chapter in biomedicine area. Dr. Lai is also an inventor of three patents relating to biotechnology application area.

Dr. Song Xiaofeng (宋曉峰), aged 52, was appointed as our independent non-executive Director on 28 October 2024. Dr. Song is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

Dr. Song has approximately 16 years of research experience in polymer chemistry and physics (高分子化學與物理). After Dr. Song's graduation from Changchun University of Technology (**"CCUT"**, 長春工業大學), he had been appointed as a materials science (材料學科) tutor in CCUT and has been appointed as a polymer chemistry and physics professor since September 2014. After obtaining a doctorate degree with a major in polymer chemistry and physics in Jilin University (**"JLU"**, 吉林大學), Dr. Song performed post-doctoral research work in Changchun Institute of Applied Chemistry Chinese Academy of Sciences (中國科學院長春應用化學研究所) from December 2008 to July 2011.

Dr. Song has long been engaged in research on design and synthesis of biodegradable polymers* (生物可降解高分子的設計與合成), construction of biodegradable polymer multiphase materials and their applications in biomedicine, ecological environment and general engineering plastics* (生物可降解高分子多相材料的構築及其在生物醫學、生態環境和通用工程塑膠中的應用), design and preparation of smart polymer materials* (智能高分子材料的設計與製備), etc. Dr. Song has published over 50 research papers on international publications, such as Chemical Engineering Journal, Journal of Colloid and Interface, Composites Science and Technology, International Journal of Biological Macromolecule, etc. Dr. Song was authorised 15 patents in the PRC. In 2013, Dr. Song won Second Class Prize for Jilin Province Natural Science Academic Achievement Award* (吉林省自然科學學術成果二等獎). He won Third Class Prize for Jilin Province Science and Technology Award* (吉林省科學技術獎三等獎) in 2020.

Dr. Song obtained a bachelor degree with a major in textile engineering and textile trade (輕紡工程系紡織商貿) from CCUT in July 1995. He obtained a master's degree with a major in textile engineering (紡織工程) from CCUT in April 2004. In June 2008, Dr. Song obtained a doctorate degree with a major in polymer chemistry and physics in JLU.

Mr. Leung Tsz Wing (梁子榮), aged 41, was appointed as our independent non-executive Director on 21 October 2024. Mr. Leung is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Audit Committee and the chairman of the ESG Committee.

Mr. Leung is currently the managing partner of Avantfaire Investment Management Limited, a licensed corporation authorised by the Securities and Futures Commission conducting regulated activities of advising on securities and asset management in Hong Kong. Mr. Leung started his career at Deloitte Touche Tohmatsu and has over 19 years of experience in direct investment, private equity, fund raising and financial reporting.

Mr. Leung has held several positions in listed companies, include that served as an independent non-executive director of China Carbon Neutral Development Group Limited *(formerly known as Bisu Technology Group International Limited)* (stock code: 1372) from November 2018 to November 2021. He serves as an independent non-executive director of Modern Chinese Medicine Group Co., Ltd. (stock code: 1643) since December 2020. Additionally, from January 2022 to August 2024, he was an independent non-executive director of Wonderful Sky Financial Group Holdings Limited (stock code: 1260). All these companies are listed on the Main Board of the Stock Exchange.

Mr. Leung obtained a Bachelor of Business Administration (Accounting & Finance) from the Hong Kong University of Science and Technology. He is a member of the Hong Kong Institute of Certified Public Accountants since 2009 and a fellow member since 2016. He also holds Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA) and Certified ESG Analyst® (CESGA) designations.

SENIOR MANAGEMENT

Our senior management team consists four executive Directors (Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng). For details of biographies of Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng, please refer to the paragraph headed "Directors – Executive Directors" above.

COMPANY SECRETARY

Ms. Wong Po Lam (黃寶琳) ("Ms. Wong"), aged 34, has been appointed as a company secretary of the Company (the **"Company Secretary"**) and the Authorised Representative on 1 July 2024. She has approximately 12 years of experience in financial reporting, auditing, financial management, corporate secretarial and regulatory compliance in listed companies in Hong Kong. Ms. Wong obtained a bachelor's degree in Accounting from City University of Hong Kong, she is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong has also been serving as a company secretary and an authorised representative of Nexion Technologies Limited (a company listed on GEM of the Stock Exchange, stock code: 8420), Byte Metaverse Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8645) and Ritamix Global Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1936).

* *English for identification purpose only*

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "**Shareholders**").

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange during FY2024. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code during FY2024.

CORPORATE PURPOSE, VALUE AND STRATEGY

Our Group is committed to developing a positive and harmonious culture that laid down the foundation for building our purpose and value. Our purpose and value represent the framework for our business, which enables our employees to unleash their full potential to thrive for our success in terms of long term sustainable growth and as a leading player in the biodegradable plastic products market in the PRC.

Our purpose

We aim to build a better environment by advocating the biodegradable plastic products for controlling the "White Pollution" in the PRC. We are striving for long term development of our business articulating with the megatrends of the biodegradable plastic products market in the PRC.

Our value

We recognise the eminence of environmental protection and adhere to the policies of the PRC government in eliminating the impact of "White Pollution". We uphold the environmental protection concepts and always look for collaborations which bring in better ideas and technologies. We are engaged in the markets and communities in which we operate and committed to delivering high quality products.

Our strategy

We have a thorough and proactive strategic planning process to identify and assess the challenges as well as the business opportunities, which allows us to formulate pertinent action plans promptly with a view to generating sustainable long term value for our Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions as the Listing Date. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code during FY2024.

BOARD OF DIRECTORS

The functions and duties of the Board include but not limited to convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the second amended and restated articles of association of the Company adopted on 9 March 2023 and effective upon the Listing (the "**Articles of Association**").

The composition of the Board during FY2024 and up to the date of this Annual Report is set out as follows:

Executive Directors

Ms. Zhang Yuqiu *(Chair)*[1]
Mr. Shan Yuzhu *(Chief Executive Officer)*[1]
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Dr. Lai King Yin
Dr. Song Xiaofeng
(Appointed on 28 October 2024)
Mr. Leung Tsz Wing
(Appointed on 21 October 2024)
Mr. Ng Tat Fung
(Resigned on 21 October 2024)
Dr. Sun Shulin
(Resigned on 28 October 2024)

Note:

1. Ms. Zhang and Mr. Shan are spouses.

The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 20 to 24 of this Annual Report. Save as disclosed in this Annual Report, to the best knowledge of the Company, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

Since the Listing Date and up to the date of this Annual Report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER

During FY2024 and up to the date of this Annual Report, the roles of Chair of the Board (the "**Chair**") and Chief Executive Officer (the "**CEO**") of the Company were separated and performed by different individuals. On 16 May 2022, Ms. Zhang Yuqiu and Mr. Shan Yuzhu has been appointed as the Chair and the CEO, respectively.

The Chair provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and daily management and operations generally.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The independent non-executive Directors are independent of the management and hence the Company considers that they are free of any relationship that could potentially interfere with the exercise of their independent judgment. None of the independent non-executive Directors has any business or financial interests with the Company nor has any relationship with other Directors. The Company considers all of the independent non-executive Directors are independent.

The Board has also reviewed and considered that the following mechanisms are effective during FY2024 in ensuring that independent views and input are provided to the Board:

(i) Long serving independent non-executive Directors (i.e. independent non-executive Directors serving more than nine years) to be eligible for nomination by the Board to stand for re-election by the Shareholders;

(ii) Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and the Board committee(s) as appropriate, and are not entitled to participate in the share award scheme of the Company, if any;

(iii) In assessing suitability of the candidates, review their profiles based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience;

(iv) The Board reviews each Director's time commitment to the Group's business annually;

(v) Independent non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;

(vi) The Company adopts the Model Code as the Code of Conduct and provides guidance to Directors and committee members of the Company on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict; and

(vii) To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group's expense.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the date thereof, and will be renewed for another three years term thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from date of appointment Date and will be renewed for a new fixed term of one year thereafter until terminated by not less than one month's notice in writing served by the independent non-executive Directors or the notice in writing with immediate effect served by the Company.

According to the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company (the "**AGM**") after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

According to the Article of Association, at each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Furthermore, pursuant to code provision B.2.2 set out in the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years.

BOARD MEETING AND GENERAL MEETING

According to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend in accordance with code provision C.5.3 of the CG Code.

During FY2024, the Company held four Board meetings in which Directors at the time to determine and review the overall strategic development of the Group and to oversee the achievement of the plan in relation thereto. The attendance records of each Director at the Board meetings of the Company held during FY2024 are set out in the table below:

Name of Directors	**Attendance of Meetings**
Executive Directors	
Ms. Zhang Yuqiu *(Chair)*	4/4
Mr. Shan Yuzhu	4/4
Mr. Li Xiquan	4/4
Mr. Li Peng	4/4
Independent Non-Executive Directors	
Dr. Lai King Yin	4/4
Dr. Song Xiaofeng *(Appointed on 28 October 2024)*	1/1
Mr. Leung Tsz Wing *(Appointed on 21 October 2024)*	1/1
Mr. Ng Tat Fung *(Resigned on 21 October 2024)*	3/3
Dr. Sun Shulin *(Resigned on 28 October 2024)*	3/3

One general meeting was held during FY2024. The attendance records of each Director at the general meeting held FY2024 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Executive Directors	
Ms. Zhang Yuqiu *(Chair)*	1/1
Mr. Shan Yuzhu	1/1
Mr. Li Xiquan	1/1
Mr. Li Peng	1/1
Independent Non-Executive Directors	
Dr. Lai King Yin	1/1
Dr. Song Xiaofeng *(Appointed on 28 October 2024)*	N/A
Mr. Leung Tsz Wing *(Appointed on 21 October 2024)*	N/A
Mr. Ng Tat Fung *(Resigned on 21 October 2024)*	1/1
Dr. Sun Shulin *(Resigned on 28 October 2024)*	1/1

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision C.1.4 of the CG Code, all Directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant.

During FY2024, all Directors (or the relevant Directors as a proposed Director at the time) attended the training session on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

Name of Directors	**Attending training session and/or reading materials relevant to the business or directors' duties**
Executive Directors	
Ms. Zhang Yuqiu	✔
Mr. Shan Yuzhu	✔
Mr. Li Xiquan	✔
Mr. Li Peng	✔
Independent Non-Executive Directors	
Dr. Lai King Yin	✔
Dr. Song Xiaofeng *(Appointed on 28 October 2024)*	✔
Mr. Leung Tsz Wing *(Appointed on 21 October 2024)*	✔
Mr. Ng Tat Fung *(Resigned on 21 October 2024)*	✔
Dr. Sun Shulin *(Resigned on 28 October 2024)*	✔

BOARD COMMITTEES

The Board has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee.

Audit Committee

The Audit Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provision D.3.3 and D.3.7 of the CG Code.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Group.

As at the date of this Annual Report, the members of the Audit Committee are Mr. Leung Tsz Wing, Dr. Lai King Yin and Dr. Song Xiaofeng, all of whom are independent non-executive Directors. Mr. Leung Tsz Wing is the chairman of the Audit Committee.

Two meetings of the Audit Committee were held during FY2024. The attendance records of each member at the Audit Committee meetings held during FY2024 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Mr. Leung Tsz Wing *(Chairman) (Appointed on 21 October 2024)*	N/A
Dr. Lai King Yin	2/2
Dr. Song Xiaofeng *(Appointed on 28 October 2024)*	N/A
Mr. Ng Tat Fung *(Chairman) (Resigned on 21 October 2024)*	2/2
Dr. Sun Shulin *(Resigned on 28 October 2024)*	2/2

The summary of the work of the Audit Committee is as follows:

(i) reviewed the final results and annual report of the Group for FY2023 , the interim results and report for the six months ended 30 June 2024 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;

(ii) reviewed the Group's financing and accounting policies; and

(iii) reviewed and recommended appointment of external auditor, improvements on the Group's internal and compliance control system and risk management functions.

On 28 March 2025, the Group's results for FY2024 have been reviewed by the Audit Committee.

During FY2024 and FY2023, the fees paid/payable to the Company's external auditor, Forvis Mazars CPA Limited (*formerly known as Mazars CPA Limited,* "**Forvis Mazars**") were as follows:

Services rendered	**2024** ***RMB'000***	2023 *RMB'000*
Audit services		
Annual audit	**1,537**	1,531
Non-audit services		
Interim review	**452**	451
Agreed-upon procedure engagement	**18**	–
	2,007	1,982

Remuneration Committee

The Remuneration Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the code provision E.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of the Directors determine their own remuneration.

As at the date of this Annual Report, the members of the Remuneration Committee are Dr. Song Xiaofeng, Mr. Shan Yuzhu and Dr. Lai King Yin. Dr. Song Xiaofeng is the chairman of the Remuneration Committee.

One meeting of the Remuneration Committee was held during FY2024. The attendance records of each member at the Remuneration Committee meeting held during FY2024 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Dr. Song Xiaofeng *(Chairman) (Appointed on 28 October 2024)*	N/A
Mr. Shan Yuzhu	1/1
Dr. Lai King Yin	1/1
Dr. Sun Shulin *(Chairman) (Resigned on 28 October 2024)*	1/1

The summary of the work of the Remuneration Committee at the said meetings or by way of written resolutions is as follows:

(i) made recommendations to the Board on the Company's remuneration policy of Directors and senior management;

(ii) reviewed the remuneration packages of Directors and senior management in relation to the performance and financial position of the Company; and

(iii) made recommendations to the Board on the remuneration of independent non-executive Directors.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management (excluding executive Directors) by band for FY2024 is set out below:

Remuneration band	
HK$1,000,000 or below (equivalent to approximately RMB912,000 or below)	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB913,000 to RMB1,368,000)	1

Details of the remuneration of each Director for FY2024 are set out in note 8 to the consolidated financial statements

Nomination Committee

The Nomination Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the code provision B.3.1 of the CG Code.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

As at the date of this Annual Report, the members of the Nomination Committee are Dr. Lai King Yin, Mr. Li Xiquan and Dr. Song Xiaofeng. Dr. Lai King Yin is the chairman of the Nomination Committee.

One meeting of the Nomination Committee was held during FY2024. The attendance records of each member at the Nomination Committee meeting held during FY2024 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Dr. Lai King Yin *(Chairman)*	1/1
Mr. Li Xiquan	1/1
Dr. Song Xiaofeng *(Appointed on 28 October 2024)*	N/A
Dr. Sun Shulin *(Resigned on 28 October 2024)*	1/1

The summary of the work of the Nomination Committee at the said meetings or by way of written resolutions is as follows:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

(ii) assessed the independence of independent non-executive Directors;

(iii) made recommendations on the retiring directors at the AGM of the Company; and

(iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity on selection of candidates for directorship of the Company.

ESG Committee

The ESG Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference.

The primary duties of the ESG Committee are to support the Board in targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how the Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address the Group's ESG-related risks and responsibilities. It is also responsible for the investigation of deviation from targets and liaising with the responsible party or functional department to take prompt rectification actions.

As at the date of this Annual Report, the members of the ESG Committee are Mr. Leung Tsz Wing, Mr. Shan Yuzhu, Mr. Li Peng and Dr. Lai King Yin. Mr. Leung Tsz Wing is the chairman of the ESG Committee.

One meeting of the ESG Committee was held during FY2024. The attendance records of each member at the ESG Committee meeting held during FY2024 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Mr. Leung Tsz Wing *(Chairman) (Appointed as member on 21 October 2024 and re-designated to chairman on 28 October 2024)*	N/A
Mr. Shan Yuzhu	1/1
Mr. Li Peng	1/1
Dr. Lai King Yin	1/1
Dr. Sun Shulin *(Chairman) (Resigned on 28 October 2024)*	1/1

The summary of the work of the ESG Committee is as follows:

(i) reviewed the ESG performance and the effectiveness of ESG systems of the Group; and

(ii) reviewed the ESG report for FY2023 with a recommendation to the Board for approval.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions with written specific terms of reference in compliance with the code provision A.2.1 of the CG Code.

The duties of the Board in respect of the corporate governance functions are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in this Annual Report.

BOARD DIVERSITY POLICY

The Group has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the Group's business growth. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has taken, and will continue to take steps to promote gender diversity at all levels of the Group, including but without limitation at the Board and workforce (including senior management). As at the date of this Annual Report, the Board comprised seven Directors, one of which was female. The Group had 161 employees *(2023: 182 employees)* in total comprising of 52 females *(2023: 67 females)* and 109 males *(2023: 115 males)* as at 31 December 2024, that is, a female-to-male ratio of approximately 0.48:1 *(2023: 0.58:1)*. The Group will continue with our endeavor to achieve gender equality in the Group.

The Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, research and development of polymer material and construction materials supplement experiences. The Board members also obtained degrees and/or diplomas in various majors including economics and corporate management, finance, accounting, polymer material and engineering, chemical engineering, science and mechatronics technology.

The age group diversity of the Board members as at 31 December 2024 are set out below:

Age composition	Number of individuals
Aged 31–40	1
Aged 41–50	3
Aged 51 or above	3
Total	7

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives have been adopted:

- the Company should comply with the requirements on board composition in the Listing Rules from time to time;
- The number of independent non-executive Directors should be not less than three and one-third of the Board;
- At least one Director is female;
- At least one Director shall have obtained accounting or other professional qualifications; and
- At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee is responsible to review the Board Diversity Policy (including gender balance) from time to time to ensure its continued effectiveness on an annual basis. The Nomination Committee considered that all measurable objectives have been fulfilled during FY2024.

NOMINATION PROCEDURE

All Board appointments will be based on the Board Diversity Policy and meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The ultimate decision will be made by Board on merit and contribution that the selected candidates will bring to the Board.

According to the Articles and Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first AGM after his appointment and be subject to re-election at such meeting.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for FY2024 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors' and auditor's responsibilities in respect of the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 93 to 97 in this Annual Report.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. Therefore, the consolidated financial statements are prepared in going concern basis.

The Audit Committee and the Board have reviewed the consolidated financial statements of the Group for FY2024.

AUDITOR'S REMUNERATION

Details of the remuneration paid/payable to Forvis Mazars are set out on page 31.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for audit services and non-audit service is reasonable. There has been no major disagreement between the external auditor and the management of the Company during FY2024.

The responsibilities of the external auditor about its financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements are set out in the "Independent Auditor's Report" on pages 93 to 97 in this Annual Report.

DIVIDEND POLICY

The Directors do not recommend the payment of final dividend for FY2024 *(FY2023: Nil)*.

The Board adopted a dividend policy (the "**Dividend Policy**") in accordance with the requirement set out in the code provision F.1.1 of the CG Code, which aimed to provide stable and sustainable returns to the Shareholders.

The declaration, payment and the amount of any future dividends are subject to the discretion of the Board and shall be taken into account of the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends. The declaration, payment and amount of any future dividends will be subject to the constitutional documents of the Company including, where necessary, the approval of the Shareholders.

INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. All employees are bound by the Group's Code of Conduct to keep all inside information strictly confidential until the disclosure of such information is appropriately approved and refrain from accepting personal benefits through the power or authority derived from their positions.

COMPANY SECRETARY

Mr. Yeung Kwong Wai resigned as the Company Secretary with effect from 1 July 2024. Ms. Wong Po Lam was appointed as the Company Secretary on the same date. According to code provision C.6.1 of the CG Code, where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact. Ms. Wong is an external service provider in respect of the appointment of Ms. Wong as the Company Secretary, the primary person at the Company with whom Ms. Wong has been contacting in respect of company secretarial matters is Ms. Zhang, an executive Director.

During FY2024, Ms. Wong had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The biographical details of Ms. Wong are set out in the section headed "Biographical Details of Directors and Senior Management" on page 24 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for formulating and overseeing the implementation of the Group's internal control measures and the effectiveness of the Group's risk management system.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group has engaged an independent internal control consultant to, on an annual basis, review and provide recommendations on improving its internal control system in order to manage our business risks and to ensure our smooth operation. The review covered certain operational procedures. No significant control failings or weakness have been identified by the consultant during the review. The Board and the Audit Committee would review the need for an internal audit function on an annual basis.

The Company has also conducted a review on the effectiveness and efficiency of the Groups risk management and internal control systems and makes timely improvements based on changes and existing defects for the purpose of listing of the Shares on the main board of the Stock Exchange during FY2024 and the management has confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisers. The Board satisfied and confirmed that the Group's risk management and internal control systems were effective and adequate for FY2024. However, the systems aim to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICIES

The Group adopts a policy of zero tolerance towards bribery, extortion, fraud and money-laundering. The Group has adopted anti-bribery and anti-corruption policy (the "**Anti-Corruption Policy**") to ensure that all employees comply with the relevant law and the Group's internal policies on the prevention of corruption.

The Group has also adopted a whistleblowing policy (the "**Whistleblowing Policy**") to encourage reporting of bribery, extortion, fraud and money laundering, under which all employees have a responsibility to report to their supervisor or senior management any suspected violations, malpractice or impropriety within the Group.

Details of implementation of the Anti-Corruption Policy and the Whistleblowing Policy are set out in the section headed "Environmental, Social and Governance Report" on page 84 of this Annual Report.

SHAREHOLDERS' RIGHTS

The Company welcomes the Shareholders to attend the general meetings to express their opinions and encourages all Directors to attend the general meetings to get into direct communications with the Shareholders.

Convening an Extraordinary General Meeting

According to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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; on a one vote per share basis in the share capital of the Company, and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, 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.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company who have enquiries for the Board are most welcomed to contact the Company at any time and such enquiries will be forwarded to the Board. The contact details are as follows:

Address:	Room 1910, 19/F., C C Wu Building 302-308 Hennessy Road, Wan Chai, Hong Kong
Facsimile:	(852) 2529 9292
E-mail:	IR@jl-ks.cn

Procedures for Shareholders to Put Proposals at General Meeting

Shareholders of the Company are advised to follow Article 64 of the Articles of Association for including a resolution through a valid requisition of an extraordinary general meeting. Details are set out in paragraph "Convening an extraordinary general meeting" above.

INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, in general, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.jl-ks.cn).

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency and has established a shareholders communication policy between itself, its Shareholders and investors which aims to set out the principles of the Company in relation to the shareholders' communications. The policy will be under review from time to time in order to ensure its effectiveness.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were approved on 9 March 2023 by special resolution and with effect from the Listing Date. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during FY2024.

On behalf of the Board

Zhang Yuqiu
Chair

Changchun, Jilin, the PRC, 28 March 2025

REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for FY2024.

SHARE OFFER

The Company was incorporated in the Cayman Islands on 21 January 2022 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

As at 31 December 2023, 31 December 2024 and up to the date of this Annual Report, the issued share capital of the Company is HK$10,000,000 divided into 1,000,000,000 Shares with nominal value of HK$0.01 each. There were no treasury shares (as defined under the Listing Rules) held by the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company's principal subsidiaries are set out in note 24 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and likely future development, and a description of the principal risks and uncertainties being faced by the Group are provided in the "Chair's Statement" on pages 4 to 5, "Chief Executive Officer's Review" on pages 6 to 8 and "Management Discussion and Analysis" on pages 10 to 19 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes there are certain risks and uncertainties involved in its operations, some of which are beyond the Group's. These risks and uncertainties can be broadly categorised into: (i) risks relating to the Group's business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Listing. For a more comprehensive list of risk factors and explanations, please refer to the section headed "Risk Factors" in the Prospectus. There was no material difference in the identified risks between those disclosed in the Prospectus and this Annual Report.

Further descriptions of the Group's financial risk (including credit risk and liquidity risk) management objectives and policies are set out in note 28 to the consolidated financial statements.

An analysis of the Group's performance during FY2024 using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on page 172 and pages 10 to 19 of this Annual Report, respectively.

Save for the change in use of proceeds per paragraph headed "Change in Use of Proceeds from the Global Offering" and completion on the Land Acquisition per paragraph headed" Significant Investments, Material Acquisitions and Disposal - Acquisition of Land" in this Annual Report, the Group did not have any significant events after the reporting period and up to the date of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2024 and up to the date of this Annual Report, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

Since the Listing Date and up to the date of this Annual Report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group considers employees are the important assets and their contribution is valued at all times. The Group provides competitive remuneration package to attract and retain high quality employees for long term business development. The Group reviews the compensation to employees in accordance with their performances, contributions and the prevailing market practice annually. The Group regularly provides training programme to the employees to enhance our employees' skills, knowledge and capability. To ensure that all of our employees are aware of our safety procedures and policies, the Group also regularly provides training programme to the employees on workplace safety.

The Directors believe that the Group has a good relationship with its employees. During FY2024, none of the employees had any labour dispute or claim involving and against the Group.

Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group enjoy good relationships with customers and suppliers with mutual trust. Accordingly, the management have kept good communications, promptly exchanged ideas and shares business update with them when appropriate. During FY2024, there were no material and significant dispute between the Group and its customers and/or suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details of environmental, social and governance policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 54 to 92 of this Annual Report.

RESULTS AND DIVIDEND

The results for FY2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 98 to 99 of this Annual Report.

The Directors do not recommend the payment of final dividend for FY2024 *(FY2023: Nil).*

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 172 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2024 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2024 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2024 are set out in note 25 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Group during FY2024 are set out in the consolidated statement of changes in equity on pages 102 to 103 of this Annual Report.

DONATIONS

During FY2024, the Group made charitable and other donations at approximately RMB50,000 *(FY2023: RMB30,000)* .

EQUITY-LINKED AGREEMENT

Save as disclosed in this Annual Report relating to the "Share Option Scheme", no equity-linked agreements were entered into during FY2024 or subsisted at the end of FY2024.

AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on Friday, 27 June 2025 (the "**2025 AGM**"), the register of members of the Company will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2025 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 June 2025.

DIRECTORS

The Directors during FY2024 and up to the date of this Annual Report were:

Executive Directors

Ms. Zhang Yuqiu *(Chair)*[1]
Mr. Shan Yuzhu *(Chief Executive Officer)*[1]
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Dr. Lai King Yin
Dr. Song Xiaofeng
(Appointed on 28 October 2024)
Mr. Leung Tsz Wing
(Appointed on 21 October 2024)
Mr. Ng Tat Fung
(Resigned on 21 October 2024)
Dr. Sun Shulin
(Resigned on 28 October 2024)

Note:

1. Ms. Zhang and Mr. Shan are spouses.

Pursuant to Article 108(a) of the Articles of Association, at every AGM, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM by rotation at least once every three years. Accordingly, Mr. Li Xiquan and Mr. Li Peng will retire and, being eligible, offer themselves for re-election as Directors at the 2025 AGM.

Pursuant to Article 112 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. Accordingly, Dr. Song Xiaofeng and Mr. Leung Tsz Wing will retire and, being eligible, offer themselves for re-election as Directors at the 2025 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2025 AGM has service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2024.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Annual Report relating to the "Share Option Scheme", at no time during FY2024, was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No contracts, transactions or arrangements of significance, to which the Company, its subsidiaries, its holding company or any of its subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2024 or at any time during FY2024.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain or about the execution of the duties of his office or otherwise in relation thereto.

The Company maintains a directors and officers liability insurance cover in respect of potential costs and liabilities arising from claims brought against its Directors and officers since the Listing.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Share Option Scheme**") on 9 March 2023 (the "**Adoption Date**") and effective upon the Listing for a period of 10 years and will expire on 30 March 2033. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(B) Participants

In accordance with the terms of the Share Option Scheme, our Board may, at its absolute discretion, offer the grant of options ("**Options**") to subscribe for such number of Shares to:

(a) any full-time employee of any member of the Group ("**Employee**"); and

(b) any director of any member of the Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the "**Eligible Persons**").

(C) Total Number of Shares Available for Issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

At as 31 December 2024 and the date of this Annual Report, a total of 100,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum Entitlement of Each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Person, the purpose of granting options to the Eligible Person and an explanation as to how the terms of the options serve such purpose, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Shareholders and the date of the meeting or resolution of the Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

(E) Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(F) Minimum Vesting Period

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

(G) Subscription Price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business Days (as defined in the Listing Rules) immediately preceding the offer date.

For a more details, please refer to section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and up to date of this Annual Report. As at 1 January 2024 and 31 December 2024, the total number of options available for grant under the Share Option Scheme are 100,000,000 Shares and 100,000,000 Shares, respectively.

There is no service provider sublimit under the Share Option Scheme.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest 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 the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L)[(1)]	Approximate percentage of the Company's issued share capital (%)
Ms. Zhang[(2)(5)]	Interests in controlled corporation	321,080,700	32.11
Mr. Shan[(3)(5)]	Interests in controlled corporations	190,822,340	19.08
Mr. Li[(4)]	Interest in a controlled corporation	11,250,090	1.13

Notes:

(1) The Letter "L" demonstrates long position.

(2) Ms. Zhang beneficially owns the entire issued shares of Lvsetianye Technology Holdings Limited ("**Lvsetianye Technology**"). Lvsetianye Technology is a company incorporated in the British Virgin Islands (the "**BVI**"), which in turn holds 321,080,700 Shares or approximately 32.11% of the issued share capital of the Company. Therefore, Ms. Zhang is deemed, or taken to be, interested in all the Shares held by Lvsetianye Technology for the purpose of the SFO.

(3) Mr. Shan beneficially owns the entire issued shares of Lvsesenlin Technology Holdings Limited ("**Lvsesenlin Technology**"). Lvsesenlin Technology is a company incorporated in the BVI which in turn holds 91,022,880 Shares or approximately 9.10% of the issued share capital of the Company. Daziran Technology Invest Holdings Limited ("**Daziran Technology**") and China Plastic Environmental Protection Holdings Limited ("**CPEP Holdings**"), the companies incorporated in the BVI and are wholly owned by Lvsesenlin Technology, in turn holds 92,599,460 Shares or approximately 9.26% and 7,200,000 Shares or approximately 0.72% of the issued share capital of the Company, respectively. Therefore, Mr. Shan is deemed, or taken to be, interested in all the Shares held by Lvsesenlin Technology, Daziran Technology and CPEP Holdings for the purpose of the SFO.

(4) Mr. Li beneficially owns the entire issued shares of Languang Technology Invest Holdings Limited ("**Languang Technology**"). Languang Technology is a company incorporated in the BVI which in turn holds 11,250,090 Shares or approximately 1.13% of the issued share capital of the Company. Therefore, Mr. Li Xiquan is deemed, or taken to be, interested in all the Shares held by Languang Technology for the purpose of the SFO.

(5) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

(b) Long positions in associated corporation

Changchun Guangke Technology Co., Ltd

Name of Director	Capacity/Nature of interest	Approximate percentage of shareholding in Changchun Guangke *(%)*
Ms. Zhang	Beneficial owner	0.0039
Mr. Shan	Beneficial owner	0.0036
Mr. Li	Beneficial owner	0.0001

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

As at 31 December 2024, the following persons held an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follow:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held (L)[(1)]	Approximate percentage of the Company's issued share capital *(%)*
Ms. Zhang[(2)(4)]	Interest in a controlled corporation	321,080,700	32.11
Mr. Shan[(3)(4)]	Interest in controlled corporations	190,822,340	19.08
Lvsetianye Technology[(2)]	Beneficial owner	321,080,700	32.11
Lvsesenlin Technology[(3)]	Beneficial owner	91,022,880	9.10
	Interest in controlled corporations	99,799,460	9.98
Daziran Technology[(3)]	Beneficial owner	92,599,460	9.26
CPEP Holdings[(3)]	Beneficial owner	7,200,000	0.72

Notes:

(1) The Letter "L" demonstrates long position.

(2) Lvsetianye Technology held approximately 32.11% of the issued share capital of the Company. Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

(3) Lvsesenlin Technology, Daziran Technology and CPEP Holdings held approximately 9.10%, 9.26% and 0.72% of the issued share capital of the Company, respectively. Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan. Mr. Shan is therefore deemed to be interested in the Shares that each of Lvsesenlin Technology, Daziran Technology and CPEP Holdings is interested in.

(4) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

Save as disclosed above, the Directors are not aware of any other person who had beneficial interests or short positions in any Shares or underlying Shares, which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during the Year, which is required to be disclosed under the Listing Rules. Details of related party transactions are disclosed in note 26 to the consolidated financial statements in this Annual Report. None of these related party transactions constitutes connected transactions or continuing connected transactions of the Company that are not fully exempt under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.72 of the Listing Rules, the Company confirmed that these related party transactions were continuing connected transactions exempt from the connected transactions requirements.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2024, the Group made approximately 33.0% *(FY2023: approximately 31.3%)* of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 14.5% *(FY2023: approximately 11.7%).* Purchases from the Group's five largest suppliers accounted for approximately 72.4% *(FY2023: approximately 60.2%)* of the total purchases for FY2024 and purchases from the largest supplier included therein amounted to approximately 21.1% *(FY2023: approximately 18.6%)* .

None of the Directors, their associate or any Shareholder (which to the best knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the major customers or suppliers noted above.

RETIREMENT BENEFIT SCHEMES

The Group strictly complies with the defined contribution retirement plans organised by local governments in the PRC. Details of the Group's retirement benefit schemes for FY2024 are set out in note 2 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, where the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Intending holders and investors of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding, disposal of or dealing in the Shares.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in the Report of the Directors, at no time during FY2024 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during FY2024.

COMPETING INTEREST

During FY2024 and up to the date of this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete directly or indirectly with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During FY2024 and up to the date of this Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 31 December 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

REMUNERATION POLICY

During FY2024, the remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprise salary, contribution to pension schemes and discretionary bonus related to the profit of the relevant company.

The remuneration package of the Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review regularly the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details are set out in the paragraph headed "Share Option Scheme" on pages 46 to 48 in this Annual Report.

USE OF PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK$155.4 million after deducting underwriting commissions and all related expenses. During the Year, the Company had utilized such Net Proceeds in accordance with the purposes as set out in the Prospectus, 2022 and 2023 Annual Report. The Board, having considered the reasons set out in "Reasons for the Change in Use of Proceeds" above, resolved to change the use of the Unutilized Net Proceeds on 28 March 2025. For details of use of proceeds from the Listing, please refer to the paragraph headed "Future Plans and Use of Proceeds" on page 16 to 19 in this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, since the Listing Date and up to the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's total number of issued Shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for FY2024 have been audited by Forvis Mazars. Forvis Mazars will retire in the 2025 AGM, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2025 AGM.

From the incorporation of the Company and up to the date of this Annual Report, there has been no change in the Company's auditor.

On behalf of the Board

Zhang Yuqiu
Chair

Changchun, Jilin, the PRC, 28 March 2025

1. ABOUT THE REPORT

China Treasures New Materials Group Ltd. (hereinafter referred to as "**China Treasures New Materials**" or the "**Group**") hereby releases the Environmental, Social and Governance Report (the "**ESG Report**") of the Group. This report is prepared in line with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") specified in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The report aims to pinpoint and disclose key matters, performances, initiatives, and accomplishments regarding environmental, social, and governance (ESG) aspects. It also clarifies the Group's long-standing dedication to fulfilling corporate social responsibility. This report is prepared in both Chinese and English. In the event of any discrepancy between the two versions, the English version shall prevail.

Reporting Principles

This Report has been prepared in accordance with the "comply or explain" principle set forth in the ESG Reporting Guide and the following four reporting principles:

1. Materiality: environmental, social and governance issues that may have an impact on the stakeholders shall be disclosed in this Report.

2. Quantitative: The key performance indicators related to historical data on the identified environmental, social and governance targets shall be measured, so that the key performance indicators in this ESG Report can be compared with peers, industry standards and performance in previous years.

3. Balance: The information contained in this ESG Report shall be unbiased and free from any selections and omissions or presentation formats that may inappropriately influence a decision or judgement by the reader of this ESG Report.

4. Consistency: To ensure comparability, all key performance indicators are calculated and assumed to be consistent with previous years. Any changes in relevant assumptions or calculation methods will be clearly disclosed to stakeholders.

Reporting Scope

This Report's scope predominantly encompasses the Group's principal activities during the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"). These activities include the manufacturing and sales of biodegradable materials, rubber and plastic materials and their finished products, general cargo road transportation, as well as goods import and export. Except for the data section, disclosures related to the system, policies, and legal and regulatory compliance are presented from the Group's perspective. The Group has formulated ESG key performance indicators ("**KPIs**"), which are accompanied by explanatory notes in this ESG Report and serve as benchmarks. The Group will persist in evaluating the crucial ESG elements of various business types to decide whether they should be incorporated into the ESG Report.

ESG REGULATORY FRAMEWORK

To generate long-term value for stakeholders and manage scarce natural resources effectively, the Group endeavours to achieve sustainable business development by integrating ESG themes into its daily operations. The Group recognizes its obligations in environmental protection and social responsibilities and is cognizant of climate-related issues that could affect its day-to-day business.

In compliance with Appendix C2 to the Listing Rules, the Group has developed the Policy on Environmental, Social and Governance Disclosure (the "**ESG Policy**"). This policy details the following aspects:

(i) Appropriate risk governance for ESG matters, covering climate-related risks and opportunities;

(ii) Identification of key stakeholders and the communication channels for engaging with them;

(iii) Identification of key performance indicators ("**KPIs**"), relevant measurement methods, and risk-mitigating measures;

(iv) Procedures for reporting environmental incidents and corresponding mitigation measures.

The Board bears overall responsibility for overseeing and determining the ESG-related, climate-related, and social-related risks and opportunities that influence the Group. It is tasked with formulating and adopting the Group's ESG Policy and targets, conducting an annual review of the Group's performance against ESG-related targets, and making appropriate revisions to the ESG strategies when significant deviations from the targets are detected.

The Group conducts enterprise risk assessments at least once a year. These assessments cover existing and potential business risks, including, but not limited to, ESG-related risks and strategic risks posed by disruptive factors like climate change. The Board either conducts risk assessments itself or engages independent third parties to do so. It also reviews the Group's existing strategies, targets, and internal controls, and implements necessary improvements to reduce risks. The Board, ESG Committee, and Audit Committee jointly monitor the Group's risk management approach, especially with respect to climate-related risks.

To manage environmental-related risks, social sustainability risks, and climate-related issues, the Board has implemented measures to address the risks identified during the enterprise risk assessment. This ensures that potential risks inherent in business operations or issues that could impact operations are minimized. Risks are monitored as part of the standard operating procedures, and appropriate mitigation measures are regularly reviewed and adjusted as part of routine management processes.

STAKEHOLDER ENGAGEMENT

The Group determines stakeholders according to their connection with the Group and the extent of mutual influence. Interacting with stakeholders enables the Group to foster a deeper mutual comprehension of their aspirations and interests, thus strengthening the ties with them. By leveraging a wide range of communication channels, the Group discerns the concerns of both internal and external stakeholders, which in turn offers a comprehensive and well-balanced perspective on ESG issues. Throughout the Reporting Period, the key stakeholders encompassed investors, employees, suppliers, the media, communities, customers, and the Stock Exchange. The subsequent table presents an overview of the Group's key stakeholders, communication and response channels, as well as the sustainability topics that pique the stakeholders' interest.

Stakeholders	Requirements and Expectations	Response and Communication Channels
Employees	• Training opportunities and career development • Employee data and privacy protection • Healthy and safe work environment • Employee entitlements, benefits and compensation	• Training activities and seminars • Meetings and briefings • Performance review meetings and interviews
Investors	• Sound risk management and effective corporate governance • Diversity and inclusion • Financial stability and responsible investment • Information transparency • Ethical business operations	• Management information announcements and annual reports • Annual general meetings and shareholders' meetings • Telephone, WeChat and e-mail communications
Suppliers	• Fair and transparent supplier selection process • Win-win cooperation	• Tender meetings • On-site visits • Supplier performance review • Industry seminars
Government	• Compliance with laws and Regulations • Community involvement and social welfare • Corporate governance • Environmental impact and carbon footprint	• On-site visits and meetings • Industry updates and seminars • Mandatory local and regional reporting requirements

Stakeholders	Requirements and Expectations	Response and Communication Channels
Stock Exchange	• Disclosure materials for ESG themes • Compliance with the Listing Rules • Corporate governance • Timely announcement and issuance of external reports	• Webinars and reports on regulatory updates • Training activities Reporting • Online meetings
Media	• Financial results • Corporate governance • Community involvement • Environmental impact	• Public relations activities • Newsletters on the Company's website
Social	• Environmental impact • Community development and involvement • Social welfare services • Corporate social responsibility	• Philanthropic partnerships • Community volunteering activities and welfare services • Charity activities
Customers	• Integrity operation • Product and service quality • Privacy practices • Transparent, fair and reasonable prices • After-sales services	• Customer service hotline and e-mail • After-sales services • Telephone consulting

MATERIALITY ASSESSMENT

To improve stakeholders' comprehension of the Group's ESG performance and sustainability strategy, the Group solicited key stakeholders to take part in a substantial survey. In this survey, participants ranked ESG issues based on their significance. Their responses confirmed that the Group is on a correct trajectory for long-term sustainable development. Moreover, their feedback serves as a crucial resource for formulating new solutions to address stakeholders' concerns.

The Group's key ESG issues are shown in the following table:

	Highly major issues	
Environmental	**Social**	**Governance**
Environmentally friendly products and services	Customer satisfaction	Anti-Corruption policy and whistleblowing procedures
Energy use (e.g. electricity, natural gas, fuel)	Product health and safety	Number of legal cases concluded regarding corrupt practices such as bribery, extortion, fraud and money laundering
water use	Customer information and privacy	Anti-corruption training for directors and employees
	Occupational health and safety	
Hazardous waste production	Staff development and training	
Select and monitor suppliers	Employee compensation, benefits and rights (e.g. working hours, rest periods, working conditions)	

	Moderately major issue	
Environmental	**Social**	**Governance**
air emissions	Prevent child labour and forced labour	
Suppliers' environmental risks (such as pollution) and social risks (such as monopoly)	Comply with and protect intellectual property rights	
Mitigation measures to protect the environment and natural resources	Diversity and equal opportunities for employees	

General major issues		
Environmental	**Social**	**Governance**
Emission of greenhouse gases Generation of non-hazardous waste Climate change	Community support (e.g. donations, volunteering) Marketing communications (such as advertising)	

According to the assessment, the social aspects of ESG were identified as being more important to stakeholders. With "environmental-friendly products and services", "customer satisfaction", and "product health and safety" as the top three areas of key concern during the year.

In line with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant regulations, the Board will establish targets for material key performance indicators (KPIs) at the start of each financial year. These KPIs are related to the above-mentioned important areas. Additionally, the relevant ESG targets for material KPIs will be reviewed on an annual basis. This is to guarantee that they continue to meet the Group's requirements and adapt to its evolving needs.

Information and Feedback

The latest information on the Group's financial performance and corporate governance during the Reporting Period can be found on the official website (www.jl-ks.cn) and the Annual Report. The Group welcomes all feedback from investors and stakeholders, particularly in the material areas identified in the materiality assessment. Your comments are highly valued. If you have any suggestions or comments, please contact us at:

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Tel: 0431–8256933
Fax: 0431–8256933
E-mail: IR@jl-ks.cn

2. ENVIRONMENTAL

Over the past decade, climate change has led to a significant increase in natural disasters and extreme weather events. This has triggered an ecological cascade effect, posing a threat to biodiversity and potentially causing the extinction of certain species.

The Group is committed to sustainability and environmental management across all its business operations. Reducing pollution in business activities is a key objective of the Group's strategy. This is to maintain a healthy environment for the benefit of enterprises, people, and society. The Group remains dedicated to implementing its business strategy of promoting the use of biodegradable plastic products to eliminate the impact of white pollution in China, thereby fulfilling its mission of building a better environment. As part of its regular business operations, the Group has incorporated the collection of environmental key performance indicator data. It has also developed measures to minimize its environmental impact. These measures are detailed in the "Energy Management" and "Water Resources Management" sections under "Use of Resource**s**". In daily operations, the production and sales of biodegradable materials, rubber and plastic materials, and products have a relatively low impact on the environment in terms of natural resource consumption.

Emissions

The Group consistently makes certain that its business activities adhere to relevant local laws and regulations. This includes, but is not restricted to, the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation), and the Law of the People's Republic of China on Environmental Impact Assessment. The Group also enforces strict requirements regarding environmental protection management measures. Failure to comply with these laws and regulations may lead to actions by the environmental protection competent department or other relevant government departments. Such actions could include ordering corrections, imposing fines, ordering the suspension of operations, or even shutting down the business. In response, the Group has formulated a series of environmental protection measures, such as emission reduction, consumption reduction, and low-carbon initiatives. It has integrated environmental management into its daily operations, aiming to minimize its environmental impact.

During the Reporting Period, the Group was not aware of any instances of non-compliance with environmental protection regulations. Nor did it encounter any persistent situations that could negatively affect the management of its business operations.

Waste Gas Emissions

Waste gas pollutants produced by the Group include nitrogen oxides ("**NOx**"), Sulphur oxides ("**SOx**") and particulate matter ("**PM**"). The Group's waste gas emission data during the Reporting Period were presented as follows:

Waste Gas Emissions[1]	Unit	**2024**	2023[1]	Percentage of Change
Nitrogen oxides (NOx)	kg	**909.61**	907.24	0.3%
Sulphur oxides (SOx)	kg	**1.44**	1.38	4.7%
Particulate matter (PM)	kg	**89.75**	89.62	0.1%
Total emissions	kg	**1,000.81**	998.24	0.3%

Note:

1. The data has been updated using 2023 actual vehicle usage statistics.

In the fiscal year 2023 and 2024 (FY2023 and FY2024), the nitrogen oxide emissions per tonne of products sold by the Group were around 0.0696 kg and 0.0792kg respectively. The Sulphur oxide emissions per tonne of products sold were approximately 0.0001 kg and 0.0001 kg respectively, and the particulate matter emissions per tonne of products sold were roughly 0.0069 kg and 0.0078 kg respectively.

Greenhouse Gas Emissions

Global warming, a crucial element of climate change, disturbs the equilibrium of the natural world. Ultimately, it impacts the livelihoods of employees, customers, and communities. In the past ten years, human activities like burning fossil fuels and deforestation have sped up the process of global warming. The Group has been keeping a close eye on greenhouse gas emission levels. It is also looking into various methods to cut down on pollution.

The Group's greenhouse gas emissions during the Reporting Period are as presented follows:

Greenhouse Gases[1]	Unit	2024	2023	Percentage of Change
Scope 1 – Direct greenhouse gas emissions	tCO2e	**243.01**	232.46[4]	4.54%
Scope 2 – Indirect greenhouse gas emissions from energy sources	tCO2e	**6,437.96**	6,360.68[3]	1.21%
Scope 3 – Other indirect greenhouse gas emissions	tCO2e	**8.44**	14.40	41.39%
Total greenhouse gas emissions	tCO2e	**6,689.41**	6,607.54[3]	1.24%
Greenhouse gas emission density[2]	tCO2e/tonne of products sold	**0.58**	0.51[3]	14.26%

Notes:

1. The above greenhouse gas emissions data were compiled with reference to the How to Prepare an ESG Report – Appendix II: Guide on Reporting of Environmental Key Performance Indicators issued by the Stock Exchange

2. Density is calculated by dividing greenhouse gas emissions by the tonnes of products sold by the Group during the Reporting Period. The Group sold 13,026.19 tons and 11,480.0 tonnes of products in FY2023 and FY2024.

3. Recalculated used "2021 China Regional Power Grid Average Carbon Dioxide Emission Factors" (2021年中國區域電網平均二氧化碳排放因子) to align with updated regulatory standards.

4. The data has been updated using 2023 actual vehicle usage statistics.

During the Track Record Period, the greenhouse gas emissions per tonne of products sold by the Group in FY2023 and FY2024 were around 0.51 tCO2e and 0.58 tCO2e respectively. Greenhouse gas emissions are categorised into Scope 1 direct emissions, Scope 2 indirect emissions, and Scope 3 other indirect emissions. Scope 1 direct greenhouse gas emissions stem from fuel combustion in automobiles. This is because the Group is typically in charge of delivering products to customers' designated locations within Jilin Province, China. Scope 2 indirect emissions result from the electricity purchased for business operations and production. Scope 3 other indirect emissions are generated by activities such as waste paper disposal in landfills, electricity consumed by government departments in freshwater and sewage treatment, and greenhouse gases emitted during employees' business trips by airplane. Specifically, in 2023 and 2024, the Scope 1 greenhouse gas emissions per tonne of products sold by the Group were approximately 0.02 tCO2e and 0.02 tCO2e respectively. The Scope 2 emissions per tonne of products sold were about 0.49 tCO2e and 0.56 tCO2e respectively, while the Scope 3 emissions per tonne of products sold were roughly 0.0011 tCO2e and 0.0007 tCO2e respectively. The Group has set a goal to cut greenhouse gas emissions by at least 2% by 2025 compared to FY2022.

The majority of the Group's greenhouse gas emissions are in Scope 2, which are indirect emissions from electricity consumption. To reduce these emissions, the Group focuses on lowering its energy consumption levels. It has implemented the following policies and measures:

- Power off all non-operational electronic equipment.
- Conduct proper and regular equipment maintenance to maintain its efficiency and reduce energy consumption.
- Ensure rational driving, ban the private use of group vehicles, and strictly review long-distance travel to avoid unnecessary trips.
- Turn off lights during lunchtime and require the last employees leaving the offices to ensure all lights are switched off.

Waste Management

As an integral part of its environmental protection strategy, the Group oversees all kinds of waste generated from its production and operations. This is to safeguard its employees, the environment, and the local community. Throughout the Reporting Period, the Group adhered to all relevant laws and regulations regarding hazardous and non-hazardous waste generation. These include, but are not limited to, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation). Non-compliance with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China can lead to fines, and depending on the severity of the violation, an entity may be ordered to halt operations or shut down. According to the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation), if an entity fails to meet the requirements for monitoring industrial emissions, hazardous air or water pollution, it may face a fine. If it refuses to take corrective action, it may be ordered to stop operations. Entities discharging pollutants without a discharge permit may be fined and ordered to stop operations or close down.

Hazardous Waste

The group's principal business activities involve the manufacturing and selling of biodegradable materials, rubber and plastic materials, and their products. Consequently, no hazardous waste is generated during its operational processes.

Non-hazardous Waste

The non-hazardous waste of the Group is general office waste, mainly including waste paper and plastics generated during office hours. Details of the non-hazardous waste generated by the Group are as follows:

Non-hazardous Waste	Unit	**2024**	2023	Percentage of Change
Total Non-hazardous waste produced[1]	Tonne	**0.55**	0.50	10.00%
Density of non-hazardous waste[2]	Tonne/number of employees	**0.0034**	0.0027	27.00%

Notes:

1. Non-hazardous waste is entirely composed of common office waste.

2. The density of non-hazardous waste is calculated by dividing the total hazardous waste produced by the total number of employees of the Group during the Reporting Period. The number of employees of the Group is 182 in FY2023 and 161 in FY2024.

During office hours, non-hazardous waste like waste paper and plastics are centrally collected by each department. These are then handed over to the general office for recycling and disposal. In cases where recycling is not feasible, they are transferred to qualified third-party companies for proper disposal.

The Group is dedicated to reducing the generation of common office waste through the following means:

- Encouraging employees to use electronic channels such as WeChat, email, or encrypted USBs to send documents, thereby reducing paper usage.
- Promoting the use of recycled paper for printing internal documents, ensuring that both sides of the paper are utilized before disposal.
- Motivating employees to gather recyclable materials.

Through the implementation of these waste-reduction measures, the Group has steadily increased its employees' environmental awareness. Currently, noise and solid waste disposal do not significantly affect the Group. However, if the significance of these two aspects grows in the future, the ESG Committee will identify relevant data sources and collection processes and make corresponding disclosures.

Use of Resources

The Group consistently upholds the highest environmental standards in its business operations. It firmly believes that environmental protection is a crucial element for the sustainable development of its business. To meet regulatory requirements, relevant departments conduct environmental monitoring annually in accordance with the Environmental Monitoring Plan issued by the Group. If excessive emissions are detected during the monitoring process, the relevant departments will be promptly notified in line with the procedure documents. Simultaneously, the Group actively organizes environmental protection publicity and education activities. These activities aim to popularize environmental protection knowledge, enhance the environmental awareness of all employees, and effectively promote events such as "April 22nd World Earth Day" and "June 5th World Environment Day".

Energy Management

Since greenhouse gas emissions are highly correlated with energy consumption levels, the Group firmly integrates the principles of resource conservation and environmental protection into its long-term business strategy. It has formulated and put into effect relevant energy-saving policies and embraced the best energy-conservation practices. These efforts are expected to further cut down the Group's energy consumption, and eventually reduce greenhouse gas emissions, thus contributing to the transition towards a net-zero economy. The Group abides by relevant laws and regulations, such as, but not limited to, the Energy Conservation Law of the People's Republic of China.

To conserve energy, the Group has established internal monitoring mechanisms. These include temperature control, ensuring workers use raw materials efficiently, and regularly maintaining energy-intensive equipment. By tailoring energy-saving measures to different energy-consuming sources, the Group can optimize its energy usage.

The Group actively promotes the following energy-saving initiatives:

- Encouraging employees to switch off equipment and appliances when not in use to save electricity at the workplace.
- Mandating employees to turn off lights during lunchtime and non-office hours.
- Conducting regular maintenance on appliances to ensure efficient power consumption.
- Setting the air-conditioning temperature at 25° C to reduce unnecessary energy consumption.

By implementing these diverse energy-conservation measures and cultivating an energy-saving mindset among employees, the Group aims to achieve long-term overall energy consumption reduction. The Group will regularly review these measures and introduce new methods in the future to further cut down its energy usage. The Group's energy-use performance is presented in the following table:

Percentage Type of Energy	Unit	**2024**	2023	Percentage of Change
Direct energy consumption	Kilowatt-hours	**918,711.15**	876,474.97[3]	4.82%
– Petrol	Kilowatt-hours	**78,852.96**	41,754.66[3]	88.85%
– Diesel	Kilowatt-hours	**839,858.17**	834,720.31[3]	0.62%
Indirect energy consumption	Kilowatt-hours	**11,562,431.68**	11,423,632.66	1.21%
– Purchased electricity[2]	Kilowatt-hours	**11,562,431.68**	11,423,632.66	1.21%
Total energy consumption	Kilowatt-hours	**12,481,142.83**	12,300,107.63[3]	1.47%
Energy consumption density	Kilowatt hours/ tonne of products sold	**1,087.21**	944.26[3]	15.14%

Notes:

1. The Group sold 13,026.19 tonnes and 11,480.0 tonnes of products in FY2023 and FY2024.
2. Over the past two years, electricity consumption has been the main source of energy for the Group and the increase in electricity consumption is proportional to the increase in business activities.
3. The data has been updated using 2023 actual vehicle usage statistics.

Water Resources Management

Water holds significant importance in several macro-level sustainable development trends, including biodiversity loss and climate change. It is a crucial resource for society and essential for the natural environment. With water scarcity affecting an increasing number of communities globally, governments and organizations have been collaborating to manage and restore freshwater ecosystems. The Group views water management as a crucial aspect in responding to these sustainable development trends. It also considers water management as one of the key means through which it can contribute to a sustainable future.

Water resources management is a core concern for stakeholders. The Group has incorporated the collection of water consumption data into its regular business operations. This enables the Group to identify and manage potential risks associated with water and optimize its water usage. The details of the Group's water consumption during its operations are as follows:

Water Use Indicators	Unit	**2024**	2023	Percentage of Change
Total water consumption	m^3	**677**	846	-19.98%
Water consumption density	m^3/tonne of products sold	**0.059**	0.065	-9.23%

During the Track Record Period, the Group's total water consumption per tonne of products sold in FY2023 and FY2024 was approximately 0.065 m^3 and 0.059 m^3 respectively. The Group aims to keep its water consumption at or below 10 m^3 per tonne of products sold.

Recognizing the role of enterprises in the responsible management of water resources, the Group is fully dedicated to water protection in accordance with the fundamental principles of its Environmental Protection Management System. The Group has also put in place various measures and initiatives to reduce water consumption, including but not limited to:

- The Group strictly prohibits any water-wasting behaviour.
- Management regularly arranges inspections of water pipes to prevent leaks.
- Water meters are regularly checked and recorded to detect potential pipeline leakage.
- Water-saving activities are carried out to reduce wastewater, and water is reused or recycled to enhance its comprehensive utilization rate.
- Management frequently shares water-conservation measures and encourages employees to adopt them not only in offices and stores but also at home.

In line with its business scope, the Group complies with the Law of the People's Republic of China on the Prevention and Control of Water Pollution. This law aims to control and prevent water pollution, protect and improve the environment, and ensure the safety of drinking water. During the Reporting Period, there were no apparent water-related risks. Moreover, as the Group obtains water directly from the government rather than natural sources, it did not encounter any issues in securing suitable water supplies.

Use of Packaging Materials

In its daily operations, the Group utilizes packaging materials such as paper and plastic. Additionally, the Group endeavours to advocate for the use of recyclable and degradable kraft paper packaging materials to achieve green, lightweight, and recyclable packaging, aiming to promote green civilization. The details regarding the Group's usage of packaging materials are presented as follows:

Category	Unit	**2024**	2023	Percentage of Change
Paper	Tonne	**183.00**	182.00	0.55%
Plastic	Tonne	**12.00**	11.00	9.09%
Total	Tonne	**195.00**	193.00	1.04%
Density	Tonne/Tonne of products sold	**0.017**	0.015	13.24%

The Environmental and Natural Resources

As a manufacturing group, the Group's environmental impact and resource consumption level are minimized. The Group continues to operate to the highest environmental standards and its business operations are governed by comprehensive environmental pollution prevention and control systems and waste disposal systems to prevent any damage to the environment. The management is responsible for reviewing these systems on a regular basis to align them with international standards. The Group also closely monitors environmental risks arising from business activities and assesses the effectiveness of measures relating to environment. Based on the Group's risk appetite, the management will further develop and implement effective preventive measures to reduce the risk to an acceptable level.

It is one of the key foundations for an environmentally sustainable group to promote environmental awareness in the business departments, in particular energy conservation, emission reduction and efficient use of resources. The Group aims to minimize long-term transition risks through energy efficiency, green supply chains and the use of renewable energy sources, and is committed to achieving emission reduction targets. This reduces the transformation risks faced by the Group, and improves the environmental performance of products. During the Reporting Period, the Group acted in strict accordance with all laws and regulations relating to emissions and resource utilization.

Climate Change

Beyond environmental and social risks, the Group is also attentive to potential acute and chronic health risks stemming from climate change. Acute health risks can emerge from extreme weather like floods and storms, while chronic health risks may result from extended periods of high temperatures. These risks have the potential to impact the Group's financial standing. Regarding climate-related risks and opportunities, the Board of Directors and the ESG Committee will evaluate the probability of occurrence in the short-term (one to two years), medium-term (three to five years), and long-term (six to ten years), and estimate the extent of the resulting impacts. Decisions on whether to mitigate, transfer, accept, or control risks are shaped by various factors such as the location of production plants and policy alterations. The Group takes into account the analysis of health and transformation risks when formulating risk assessment procedures and defining its risk appetite. Material risks and opportunities are integrated into the strategic and financial planning. It is anticipated that extreme weather, continuous high temperatures (linked to potential health risks), and changes in climate-related regulations and policies (associated with potential transformation risks) will not have a significant impact on the Group's operations in the short to medium term.

Nonetheless, the Group has implemented mitigation measures to tackle the aforementioned climate-related risks, including those associated with extreme weather and continuous high temperatures. The Group has installed suitable fire-fighting equipment to lower the risk of fire and subsequent losses. It has also adopted various measures to prevent static electricity build-up and to avoid sparks that could trigger fires during the unloading of raw materials. For example, during thunderstorms or when there is an open fire within 50 meters of the unloading area, unloading operations are halted.

The Group's production plant is situated at Jinger Road, South Kalun Industrial Zone, Jiutai Economic Development Zone, Changchun, Jilin Province, China. Despite the relatively low risk of acute physical risks like floods and extreme weather events such as storms, the Group has developed contingency plans applicable to all weather-related scenarios to mitigate potential risks.

All of the Group's approved suppliers are based in China. The Group could be indirectly affected by supply chain disruptions if its suppliers encounter extreme weather events like floods or storms. After assessing the relevant potential impacts that could disrupt the Group's production and supply networks, the Group maintains a roster of qualified suppliers in different geographical locations to safeguard against supply network disruptions. Since its establishment, the Group has not been impacted by extreme weather events such as floods and storms, and faces a relatively low risk from such events. In FY2023 and FY2024, the number of recognized suppliers for raw material procurement was 22 and 17 respectively. If some suppliers are affected by extreme weather, the Group can also source from other approved suppliers to reduce the risk of supply chain disruption.

The Board of Directors and the ESG Committee will continuously monitor climate-related issues and government actions on climate change, and take steps to minimize the impact on the Group's business operations.

3. SOCIAL

Employment

Employees are the Group's invaluable assets, forming the bedrock of its business success. In its corporate culture, the Group upholds core values of respect, professionalism, and equality. It endeavours to empower employees, treats them with dignity, and promotes equal opportunities and cultural diversity. Guided by the "people-oriented" principle, the Group is dedicated to fostering a safe and healthy working environment and places great emphasis on teamwork, diversity, and inclusiveness. The Group's Employee Manual encapsulates relevant regulations and standards across multiple aspects, such as employee recruitment, redeployment, promotion, dismissal, training and education, wages and benefits, and labour insurance, among others.

Throughout the Reporting Period, the Group adhered to labour-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Regulation on Labour Security Supervision, and the Labour Contract Law of the People's Republic of China. The Group identified no significant non-compliance with relevant rules and regulations that could impact the organization.

Employees Information

The Group's employees are all full-time employees. The distribution of employees by gender, employee category, age and geographical region is as follows:

Category	Unit	**2024**	2023	Percentage of Change
By Gender				
– Male	Person	**109**	115	5.22%
– Female	Person	**52**	57	22.39%
By Employee category				
– Senior management	Person	**8**	8	0.00%
– Middle management	Person	**7**	7	0.00%
– Frontline and other employees	Person	**146**	167	12.57%
By Age composition				
≤30	Person	**20**	20	0.00%
31–40	Person	**60**	68	11.76%
41–50	Person	**59**	64	7.81%
≥51	Person	**22**	30	26.67%
By Geographical region				
– Mainland China	Person	**159**	182	12.64%
– Hong Kong	Person	**2**	–	–

During the Reporting Period, the total turnover rate of the Group's employees in FY2023 and FY2024 was 1.17% and 2.92%, respectively, and the employee turnover rate by (i) gender, (ii) age group and (iii) geographical region is shown in the table below:

Category	Unit	**2024**	2023	Percentage of Change
By Gender				
– Male	Percentage	**4.46%**	1.74%	156.32%
– Female	Percentage	**0.00%**	0.00%	0.00%
By Age composition				
≤30	Percentage	**0.00%**	0.00%	0.00%
31–40	Percentage	**1.56%**	0.00%	–
41–50	Percentage	**4.88%**	3.13%	55.91%
≥51	Percentage	**3.85%**	–	–
By Geographical region				
– Mainland China	Percentage	**2.35%**	1.17%	100.85%
– Hong Kong	Percentage	**100.00%**	–	–

Remuneration and Benefits

The Group has established fair and reasonable remuneration for all employees and formulated the Remuneration and Benefits Administration Regulation. The Group ensures labour safety and health conditions that meet national requirements, provides necessary labour protection supplies, and regularly inspects employees engaged in operations with occupational hazards and underage employees. In accordance with laws and regulations, employees are entitled to all statutory leaves, holidays, and benefits, including but not limited to annual leave, funeral leave, public holidays, sick leave, and marriage leave.

Simultaneously, employees are eligible for the social insurance benefits specified in the labour contract, such as pension insurance, medical insurance, unemployment insurance, work-injury insurance, maternity insurance, and housing provident fund, which complies with the provisions of the Labour Contract Law of the People's Republic of China. The Group's employee costs (excluding directors' remuneration) in FY2023 and FY2024 were approximately RMB8.7817 million and RMB8.9114 million respectively. If an enterprise fails to pay social insurance premiums as required by the Social Insurance Law of the People's Republic of China, relevant departments can demand that the enterprise pay the outstanding premiums within a specified time frame. Additionally, the enterprise may be liable to pay a late-fee of 0.05% per day on the arrears. If the enterprise still fails to pay the arrears within the specified time limit, relevant departments may impose a fine ranging from one to three times the amount of the arrears. If an enterprise fails to pay housing provident funds in accordance with the Regulation on the Administration of Housing Provident Funds, relevant departments can require the enterprise to pay the outstanding funds within a specified time limit. In case of non-payment within the time limit, relevant departments may apply to a Chinese people's court for compulsory enforcement.

Employment, Promotion and Dismissal

The Group is committed to building a robust talent pipeline to meet its strategic requirements. It undertakes an integrated workforce planning process to identify the skills and experience essential for the entire business operation and makes every effort to hire local talent. In the employment decision-making process, the Group takes into account multiple factors such as business strategy, development plans, industry trends, and the competitive environment. It recruits employees from the open market, considering aspects like work experience, educational background, and professional qualifications. All Group employees receive fixed salaries and may be eligible for additional allowances and commissions based on their grades and performance.

The Group adheres to the principle of "gender equality and nationality equality" in employee recruitment. However, in cases where a specific type of work or position has special regulations regarding gender or nationality, those regulations will be followed. To guarantee equal treatment for all applicants, regardless of their background, religion, race, age, gender, or other factors, the Group adopts a comprehensive approach. During the recruitment process, the Group follows the principle of comprehensive evaluation, selecting outstanding employees, appointing based on merit, and giving priority to internal candidates before external hiring. Applicants who do not meet the employment criteria will not be hired. Periodically, employees are required to conduct self-evaluations and joint evaluations with their supervisors, which helps identify their areas of strength and areas for improvement. This also serves as an opportunity to assess whether an employee has the requisite knowledge and professional skills for promotion, thus fostering a healthy competitive environment that encourages employees to strive for self-improvement.

When employees resign, they will receive reasonable resignation compensation based on their reasons for leaving and the Group's policies. The human resources department will conduct exit interviews to understand employees' thoughts and experiences during their tenure at the Group. The feedback from employees will be utilized to further optimize the Group's working conditions and enhance employee satisfaction.

As of 31 December 2024, the Group did not face any significant challenges in employee recruitment nor any major employee or labor disputes.

Diversity and Inclusiveness

Diversity and inclusiveness are ingrained in the Group's corporate ethos. The Group highly values the individuality of all individuals in its policies, recognizing that such differences thrive in a productive, inclusive, and performance-talent focused environment. In this setting, everyone feels valued, can fully utilize their skills, have their performance recognized, their professional contributions acknowledged, and can achieve organizational goals.

The Group particularly focuses on enhancing inclusive leadership. The Group's leadership is dedicated to upholding diversity and inclusiveness principles. They work closely with various departments and formulate action plans to eliminate barriers to creating an inclusive and respectful working atmosphere. The Group believes that a diverse team will inspire creativity, introduce novel ideas to the business, and meet the needs of stakeholders and evolving markets with innovative solutions, products, and services.

Moreover, a crucial aspect of the Group's values and culture is the ongoing effort to offer equal opportunities in all employment-related areas. This is aimed at preventing any form of harassment or discrimination based on skin color, religion, place of origin, age, sexual orientation, and marital status. The Group is firmly committed to fostering a professional and positive workplace environment.

Health and Safety

Building a positive health and safety culture is a top-tier priority for the Group. A healthier workforce not only boosts productivity and morale but also paves the way for the establishment of a high-performing and adaptable organization. The Group has overseen the development of diverse safety production regulations and safety-technical operating procedures, and is actively driving their implementation. In terms of employee well-being, support is provided to ensure both physical and mental health, taking into account the aspects of physical safety and mental well-being.

Physical Safety

To safeguard the physical safety of its employees, the Group adheres to the "safety first, prevention-oriented" principle in its operations and follows a comprehensive set of management policies and procedures. These include, but are not limited to, employee security policies, emergency rescue protocols, hazard source identification and risk control measures, and safety standardization regulations.

As per the safety standardization regulations, the safety management departments are responsible for carrying out various safety-related tasks. This encompasses conducting regular, professional, seasonal, and ad-hoc safety inspections, safety education initiatives, safety risk assessments, safety reviews, legislative compliance checks, and emergency response procedures. In day-to-day work, they organize these inspections, prompt all grassroots units to rectify identified potential accident risks and toxic hazards, and correct issues such as rule-violating operations and commands. In cases of extremely urgent unsafe situations, they have the authority to order a halt to operations (or evacuation from the site) and immediately report to relevant leaders for inspection and resolution. The Group also provides regular safety training to employees to enhance their awareness of occupational health and safety. Specialized training is given to employees exposed to potential occupational hazards to further minimize the risk of such hazards and prevent work-related accidents. Additionally, regular physical examinations are arranged for these employees.

The Group complies with relevant laws and regulations, such as, but not limited to, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Act. Moreover, no violations of employee health and safety laws and regulations have been identified within the Group. Over the past three years, there have been no employee fatalities or serious accidents, and the number of work-related injury-induced lost workdays has been zero.

Mental Health

In addition to safeguarding employees' physical well-being, promoting their mental health is of equal significance. The management is highly attentive to employees' mental state and has devised a series of measures to enhance their mental resilience.

A crucial approach is to advocate the concept of work-life balance. The Group endeavors to cultivate a working environment and corporate culture enabling employees to strike an optimal balance between their personal and professional lives. During business operations, the Employee Manual clearly stipulates employees' working hours, rest periods, and holidays, thus protecting employees' legitimate rights and interests, especially their right to rest and take vacations.

Another way to boost morale and team spirit is to organize employee-participation activities. These activities can strengthen the bond between managers and employees and enhance communication among employees with diverse backgrounds. Employees can build connections with team members from other departments, which not only promotes inclusivity but also has the potential to inspire creativity.

Development and Training

The Group's culture is moulded by the diverse qualities of its employees. Employees who wholeheartedly embrace the Group's values serve as exemplars of the group brand, being most likely to achieve outstanding results and contribute to the expansion of the business. To reach this goal, the Group has made substantial investments in its workforce by providing a range of learning, training, and development opportunities.

The training programs offered by the Group are tailored to enhance employees' skills, knowledge, and capabilities. All new employees are provided with orientation training to help them acclimatize to the group. Subsequently, on-the-job training is carried out in line with the requirements of relevant departments and the Group's development strategy. Moreover, various internal training sessions are organized according to employees' positions and job specifications.

Orientation Training

The orientation training is designed with the objective of enabling new employees to seamlessly integrate into the new corporate environment and boost their sense of belonging. The training encompasses multiple aspects such as an overview of the Group's business background, in-depth introduction to its corporate culture, detailed explanation of rules and regulations, clear definition of job responsibilities, guidance on workplace etiquette, and information about available training opportunities.

On-the-job Training

The on-the-job training is intended to equip employees for the future workplace. It involves the upgrading and retraining of the skills of both employees and technicians, enabling them to proficiently operate advanced machinery. This is of great significance as the Group employs the latest technologies in its business operations to offer top-notch services. As a result, employees are required to adapt to the use of new machines and updated work processes.

Throughout the Reporting Period, every full-time employee underwent training. The breakdown of the trained employees, categorized by gender and employee type, is presented as follows:

	Number of Participants (%)			Average Training Duration (Hour)		
Category	**2024**	2023	Percentage of Change	**2024**	2023	Percentage of Change
Percentage of employees trained	**100%**	100%	0.00%	**100%**	100%	0.00%
By Gender						
– Male	**67.70%**	63.19%	7.14%	**10.00**	9.00	11.11%
– Female	**32.30%**	36.81%	12.25%	**10.00**	9.00	11.11%
By Employee category						
– Senior management	**4.97%**	4.40%	12.95%	**10.00**	9.00	11.11%
– Middle management	**4.35%**	3.85%	12.99%	**10.00**	9.00	11.11%
– Frontline and other employees	**90.68%**	91.76%	1.18%	**10.00**	9.00	11.11%

The average training duration of employees in FY2023 and FY2024 was approximately 9.00 hours and 10 hours.

Labour Standards

The Group meticulously complies with all laws and regulations concerning the prohibition of child labour and forced labour. This includes, but is not limited to, the Minors Protection Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Using Child Labour. Throughout the Reporting Period, the Group detected no significant violations of laws and regulations related to the prohibition of child labour, and there were no instances of forced labour or child labour.

The Group recognizes that child labour and forced labour are blatant violations of basic human rights. Consequently, any form of child labour or forced labour is categorically prohibited. The Group has implemented a series of preventive measures to avoid such occurrences. The Employee Manual explicitly states that an individual must be at least 18 years old to apply for a position within the Group.

As an integral part of the employment process, the identity cards, graduation certificates, and other documents submitted by employees must be genuine, and employees are strictly prohibited from borrowing or forging documents to deceive the Group. The human resources department will first verify the legitimacy of these relevant documents. Subsequently, the documents will be forwarded to the personnel department or the personnel administration department of a franchise store for further scrutiny to confirm that the document holders are 18 years of age or older. If any related circumstances are discovered, the Group will immediately terminate the personnel involved in the non-compliant recruitment, properly handle the recruited individuals, and, if necessary, transfer the matter to judicial authorities for further action.

According to the Employee Manual, the Group will, with the employees' consent, arrange work shifts in a unified manner based on production requirements, and employees will receive appropriate compensation. The Group arranges employees' rest periods and working hours transparently and endeavours to schedule working hours to strike an optimal balance between employees' personal and professional lives. Any adverse behaviour towards employees, such as corporal punishment, verbal abuse, sexual harassment, physical violence, and oppression, is strictly forbidden.

Supply Chain Management

As a prominent player in environmental and social governance, the Group has persistently incorporated the principle of sustainable development into its supply chain management. The Group collaborates with suppliers in alignment with its strategic objectives, and shares its corporate values and the vision of supporting the community while minimizing environmental impact. Through these efforts, it has forged a mutually beneficial relationship with suppliers, thereby further enhancing customer value and securing a sustainable competitive advantage.

Qualification Inspection Process

The Group is dedicated to fostering amicable cooperation with environmentally friendly suppliers and procures raw materials that meet relevant environmental protection criteria. All suppliers are required to be recognized as qualified suppliers before they can provide materials and services to the Group. The Group maintains a roster of qualified suppliers. In FY2023 and FY2024, the number of recognized suppliers for raw material procurement was 22 and 17 respectively, and all of these suppliers were situated in the Chinese mainland.

The Group has put in place a qualified supplier assessment mechanism and regularly evaluates suppliers based on their compliance with relevant safety and environmental control requirements. The procurement department is responsible for conducting these assessments, which cover various aspects such as product quality, service performance, environmental requirements, safety, and compliance. Additionally, the procurement department is tasked with data collection, including factory inspection reports, business licenses, and operation permits. Moreover, the Group conducts on-site inspections and holds conference discussions to gain an in-depth understanding of suppliers' environmental, social, and governance (ESG) performance, as well as their business operations and risk management approaches. Only suppliers that pass the assessment are eligible to be included in the list of qualified suppliers. Other things being equal, the Group gives preference to environmentally friendly enterprises and also encourages suppliers to adopt more environmentally friendly products. This practice effectively reduces environmental and social risks, deepens the Group's understanding of suppliers' capabilities to fulfill their obligations as suppliers and meet the Group's high standards, and further enriches the sustainable culture within its supply chain management.

Goods Shipment

Upon the arrival of purchased raw materials at the warehouses within the Group's factories, specialized inspectors are assigned to conduct inspections. Once the raw materials are deemed qualified, the warehouse manager will arrange for their storage. In the case of substandard raw materials, the Group will engage in communication with the suppliers to arrange for the return of the goods. Should any quality issues arise, the Spare Parts Department will promptly notify the customers and implement remedial measures, thereby preventing any potential disruption to the business operations. Additionally, the finance department will regularly perform cost evaluations of the suppliers.

Annual Review

At the end of each year, the procurement department takes charge of reviewing all qualified suppliers for the year, by obtaining feedback from departments that have used the supplier's materials and services. The procurement department may also require suppliers to provide additional documents and information to assist the assessment of annual suppliers. The Group makes efforts to initiate a change in the whole supply chain through reaching out to substandard suppliers. If suppliers' performance remains lower than the Group's expectation, they will be removed from the qualified supplier pool, which helps reduce procurement risk.

In 2024, the Group has established cooperation with 17 suppliers located in multiple regions in China. The distribution of suppliers by geographical region is as follows:

Region	Unit	**2024**	2023	Percentage of Change
Northeast China[1]	number of suppliers	**6**	7	-14.29%
North China[2]	number of suppliers	**6**	4	50.00%
East China[3]	number of suppliers	**4**	9	-55.56%
South China[4]	number of suppliers	–	–	–
Northwest China[5]	number of suppliers	**1**	2	-50.00%
Southwest China[6]	number of suppliers	–	–	–
Total	number of suppliers	**17**	22	-22.73%

Notes:

1. Northeast China refers to Heilongjiang, Jilin, and Liaoning in China.
2. North China refers to Beijing, Tianjin, Shanxi, Hebei, and Inner Mongolia in China.
3. East China refers to Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shandong in China.
4. South China refers to Henan, Hubei, Hunan, Guangxi, Guangdong, and Hainan in China.
5. Northwest China refers to Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang in China.
6. Southwest China refers to Chongqing, Sichuan, Guizhou, Yunnan, and Tibet in China.

The Group selects suppliers based on actual demand and has optimized the selection of suppliers during the Year, thus resulting in a decrease in the number of suppliers during the Year. The Group does not rule out the possibility of increasing the number of suppliers as necessary in the future.

Due to its diverse supplier network, the Group has not faced any challenges in procuring products and services. Moreover, no single company has been designated as a key supplier. The Group aims to establish and maintain long-term strategic partnerships with suppliers that offer high-quality services, have high market visibility, and possess a strong sense of social responsibility.

Product Responsibility

The Group places a high premium on product quality. It has established a robust quality control and assurance system to ensure that product quality meets regulatory and industry standards, as well as customers' expectations. The Group scrupulously adheres to product responsibility-related laws and regulations, such as, but not limited to, the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Advertising Law of the People's Republic of China, and the Product Quality Law of the People's Republic of China. Throughout the Reporting Period, the Group detected no violations of laws and regulations pertaining to product and service safety, labelling, advertising, and privacy issues.

To enhance the monitoring and management of product quality, the Group carries out product sampling inspections in accordance with the Product Quality Check Programme, thus ensuring compliance with quality standards. For products that have been sold and are awaiting delivery, the Group conducts quality inspections prior to packaging and transportation to safeguard product quality.

Product Technique

The Group produces plastic master batches by blending various plastic polymers in the required proportions according to the specified specifications. Under controlled conditions, the plastic master batches are melted until they turn into a liquefied and malleable state. In the case of biodegradable plastic products, procedures such as film extrusion, shaping, cutting, and pressing are necessary before they are transformed into finished goods. For non-biodegradable automobile plastic parts, the plastic is melted and then injected into different plastic parts through a plastic injection moulding machine. Subsequently, the plastic parts are welded into the designated shape and structure, followed by final finishing and fixing operations.

During the above production process, since the granules, powder, master batch, or pellets of plastic resin are incorporated into the plastic through heating or the application of pressure, there is a possibility of the emission of toxic plastic fumes. Regarding environmental protection as one of its top priorities, the Group has implemented a series of measures to mitigate the environmental impact of its production activities. For instance, the Group has installed sufficient air-filtering units to purify the air before it is released and discharged into the surrounding atmosphere. Moreover, considering that industrial noise may be generated during the manufacturing process, the Group has installed vibration-damping and noise-reducing devices to ensure that the noise level it emits complies with the allowable limits set by national environmental standards. Any production waste, scrap materials (such as edge trimmings and ends), substandard, or obsolete products are returned to the biodegradable plastic master batches tank for recycling purposes.

Raw Material

In the Reporting Period, around 93% of the Group's revenue was derived from the sales of biodegradable plastic products. Additionally, the Group is involved in the research and development as well as the manufacturing of non-biodegradable automobile plastic parts. However, these products contributed no more than 7% to the Group's revenue during the same Reporting Period.

The raw materials for the Group's non-biodegradable automobile parts mainly consist of polypropylene (**PP**) and polyethylene (**PE**). PP is a thermoplastic polymer formed through chain-growth polymerisation using the monomer propylene. It is derived from fossil sources, either produced as a co-product during ethylene production via the steam cracking of hydrocarbon feedstocks or as a by-product in petroleum refining processes. PE, on the other hand, is a lightweight and versatile synthetic resin, which is produced by the polymerisation of ethylene. Ethylene is also fossil-based and is mainly sourced from petroleum or natural gas.

The primary raw materials for the Group's biodegradable plastic products are biodegradable plastics. Biodegradable plastics are those that can decompose in both natural aerobic (composting) and anaerobic (landfill) environments. The biodegradation of plastics takes place when microorganisms break down the plastics into either assimilable compounds or into humus-like substances that are less detrimental to the environment. Depending on their composition, biodegradable plastics can be further classified into bio-based biodegradable plastics and fossil-based biodegradable plastics. Bio-based biodegradable plastics include materials such as polylactic acid (**PLA**), polyhydroxyalkanoates (**PHA**), starch-based, cellulose-based materials, and others. Fossil-based biodegradable plastics include Polybutylene Adipate Terephthalate (**PBAT**), Polybutylene succinate (**PBS**), polycaprolactone (**PCL**), and the like. Among these, PLA, PBAT, and PBS are the main raw materials that the Group uses for manufacturing its biodegradable plastic products.

Category	Unit	**2024**	2023	Percentage of Change
PLA, PBAT and PBS	RMB'000	**172,533**	165,554	4.22%
	Percentage of cost of raw materials	**81.15**	80.00	1.44%
Consumables	RMB'000	**3,403**	9,633	-64.67%
	Percentage of cost of raw materials	**1.60**	5.00	-68.00%
Other materials[1]	RMB'000	**36,669**	32,088	14.28%
	Percentage of cost of raw materials	**17.25**	15.00	15.00%
Total	RMB'000	**212,605**	207,275	2.57%
	Percentage of cost of raw materials	**100.00**	100.00	0.00%

Note:

1. Other materials include raw materials for automobile plastic parts such as PP, PE, etc...

During the Reporting Period, the Group's utilisation of petrochemical materials and non-petrochemical materials was as follows:

Category	Unit	2024	2023	Percentage of Change
Petrochemical materials	RMB'000	**4,761.42**	83,701.83	-94.31%
Non-petrochemical materials	RMB'000	**225,266.61**	107,769.60	109.03%
Total	RMB'000	**230,028.03**	191,471.43	20.14%

Product Quality

The Group's biodegradable produce bag rolls and biodegradable shopping bags fully comply with the national standards "GB/T 33798–2017" (生物聚酯連卷袋) and "GB/T 38082–2019" (生物降解塑料購物袋). The standard "GB/T 38082–2019" (生物降解塑料購物袋), issued by the State Administration for Market Regulation and the Standardization Administration of the PRC in October 2019, is the only national standard in China for biodegradable plastic shopping bags. Specifically, the biodegradation rate of fully biodegradable plastics reaches 92%, meeting the requirements of the "GB/T 20197–2006" (降解塑料的定義、分類、標識和降解性能要求) standard, which defines, classifies, marks, and sets the degradability requirements for degradable plastics.

For non-food direct contact biodegradable plastic shopping bags, the biodegradation rate is 90.46%, the relative degradation rate is 92.8%, and the proportion of total volatile solids is 94.33%. The average carbon dioxide produced during decomposition is 107.25mgCO2/g, which is in line with the requirements of the "GB/T 38082–2019" (生物降解塑料購物袋) standard for Biodegradable Plastic Shopping Bags. For PLA fully biodegradable produce bag rolls, the biodegradation rate is 90.04%, the relative degradation rate is 92.37%, and the proportion of total volatile solids is 93.92%. The average carbon dioxide produced during decomposition is also 107.25mgCO2/g, conforming to the "GB/T 33798–2017" (生物聚酯連卷袋) standards.

Moreover, the Group has acquired certifications such as IATF16949 (Automotive Quality Management System), ISO9001 (Quality Management System), and ISO14001 (Environmental Management System). It has been honored as a provincial and municipal technology little giant enterprise and has won in the finals of the China Innovation & Entrepreneurship Competition. Additionally, its biodegradable shopping bags have passed the green product design assessment, and the Group successfully passed the declaration as a provincial green factory in the green manufacturing category in May 2020.

Intellectual Property

During the Reporting Period and as of the date of this Annual Report, no material legal actions, claims, disputes, arbitrations, or administrative proceedings were either ongoing or impending against any of the Group's members or its Directors in relation to intellectual property claims. The Group consistently complies with the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. It will keep evaluating the significance of intellectual property to its business and, if required, formulate measures to safeguard it.

Customer Privacy Protection

The Group is dedicated to safeguarding the personal data and privacy of its customers, employees, and partners. Its confidentiality policies and privacy practices cover, among other aspects, the collection, processing, utilization, and disclosure of personal data.

The Group fully adheres to the privacy policies of its customers, suppliers, and other stakeholders. It has created a secure environment equipped with data protection measures to store such data within its internal system. Only authorized employees are granted access to the data. Without the consent of relevant parties, the Group will not disclose the personal data of its employees, customers, or suppliers, thus preventing any accidental or unauthorized access, alteration, or use of these data.

Throughout the Reporting Period, the Group complied with laws and regulations regarding customer data protection, such as, but not limited to, the Personal Information Protection Law of the People's Republic of China. The Group will abide by privacy policies and maintain a stance of zero-tolerance towards non-compliance in all business operations. During the Reporting Period, the Group did not experience any major consumer information or privacy violations.

Product Recall

Customer safety is the Group's utmost priority. Should the Group identify products that might not conform to its regulations, it will promptly trace back all affected products as per requirements. The Group will carry out in-depth investigations to gain a better understanding of the situation and decide whether a recall is needed. Once a recall is confirmed, the Customer Service Department will be responsible for launching the recall process, overseeing the entire recall operation, and offering value-added services and compensatory feedback to affected customers based on the impact severity. During the Reporting Period, no products sold or shipped were recalled due to safety and health concerns. The Group endeavors to consistently maintain high standards and keep a clean slate regarding product-related complaints and product recall incidents stemming from safety and health issues.

Complaint Processing Programme

Driven by a customer-centric approach, the Group actively solicits customers' feedback to enhance their experience with its products and services. Therefore, the Group places significant emphasis on complaint resolution and is dedicated to replying to every complaint accurately, promptly, and courteously.

The Group has crafted the User Complaint Management Manual to streamline the complaint-handling process. This ensures that all customer complaints are handled appropriately. Confidentiality of complaints is strictly maintained, and the Group guarantees that there will be no form of retaliation against customers for lodging complaints. Adequate auxiliary staff are designated to conduct investigations and handle quality-related complaints. All information regarding complaints and investigations is communicated to authorized individuals.

All complaints are required to be registered and audited. Complaints related to product quality defects are recorded in detail and investigated. Simultaneously, records of complaint investigations and resolutions, along with information about the products under scrutiny, are kept. Subsequently, complaint records are regularly reviewed and analyzed. This enables the identification of issues that demand attention and those that recur, and the implementation of corresponding measures. During the Reporting Period, the Group did not receive any major product-related complaints.

Anti-Corruption

The Group is dedicated to cultivating an ethical corporate culture through training, efficient communication, top-down management, and accountability. This is crucial for upholding the Group's reputation and the trust of its business partners. An integral part of this ethical culture is a zero-tolerance approach to corruption and bribery, which is vital for the healthy and sustainable development of its operations. To achieve this, the Group has developed the Anti-Fraud Management System, the Regulations on Anti-Fraud and Reporting Mechanism, the Whistleblowing Policy, and the Integrity Policy.

The Anti-Fraud Management System defines fraudulent behaviors, enabling employees to recognize situations that could potentially lead to unethical conduct. It also outlines procedures for preventing, detecting, and resolving anti-corruption incidents. Any form of money laundering involving public or private bank accounts is strictly prohibited, and the Group will take appropriate action against such misdeeds.

The Group motivates employees to adhere to laws and comply with the code of conduct and ethics in their daily work and internal interactions. This helps them handle conflicts of interest and resist the allure of improper gains in their jobs. Simultaneously, the Group notifies all societal stakeholders, including external parties such as customers, suppliers, regulators, and shareholders, in a suitable manner that the Group promotes legal compliance, integrity, and ethical behavior.

The Group scrupulously complies with anti-corruption-related laws and regulations, including, but not restricted to, the Advertising Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Interim Provisions on Banning Commercial Bribery.

The data of anti-corruption training is listed in the table below:

Number of People Receiving Anti-corruption Training	Unit	**2024**	2023	Percentage of Change
Directors	Person	**8**	5	60.00%
Employees	Person	**161**	177	9.04%

Length of Anti-corruption Training	Unit	**2024**	2023	Percentage of Change
Directors	Hour	**32.0**	20.0	60.00%
Employees	Hour	**644.0**	708.0	-9.04%
Total	Hour	**676.0**	728.0	-7.14%

The Group upholds an ethical culture by following principle-based guidelines. This approach encourages employees to make morally correct decisions, voice their concerns, and oppose unethical conduct. The Group strictly prohibits the following actions:

- Employees are not allowed to abuse their positions to secure advantages for others and accept bribes, such as through having others reimburse personal expenses with public funds or cover costs that should be borne by themselves.

- Any act of borrowing or embezzling the Group's funds in violation of regulations for profit-making or illegal activities is forbidden.

- Fabricating facts or concealing the truth to enter into false contracts and defraud the Group of its money and assets is strictly prohibited.

- During normal business interactions with partners and customers, our employees must not request or accept gifts, cash presents, marketable securities, rebates, or other items. In cases where benefits cannot be declined, they should be surrendered to the Group.

- Our employees may not participate in business partners' dinners and entertainment activities without prior permission. For unavoidable events, they must seek approval from their superiors before attending.

- Our employees are not permitted to conduct business negotiations with partners individually. At least two employees are required to be involved in business negotiations or the procurement of engineering equipment and facilities.

- All affairs of the Group shall be done according to procurement and finance-related systems. Acts in violation of regulations, malpractice, fraud, corruption and bribery, misappropriation of construction funds and others are strictly prohibited; and

- Cash, rewards or transfer of benefits due to working relationships shall be treated as the Group's operating income and turned over to the Group. Gifts shall be handed over for the record (souvenirs of less than RMB100 are generally issued to personal commemorations, but it shall be reported to the superior).

In line with the Whistleblowing Policy, the Group has established diverse whistleblowing channels, including email, telephone, and letter, enabling employees to report unethical conduct to the designated reporting department. Each channel has a set of procedures in place to guarantee the confidentiality and anonymity of reports regarding unethical behavior. For individuals and matters under suspicion, identified through overt or covert investigations or complaints from fellow employees, once verified, they will be publicly disclosed and addressed. Penalties such as warnings, fines, dismissal, etc., will be imposed based on the gravity of the situation and its impact. If the amount involved reaches the legally required threshold, they will be handed over to the judicial authorities in accordance with national regulations.

While maintaining continuous operations, the Group will constantly assess the effectiveness of the reporting mechanism and make appropriate adjustments as the business evolves. During the Reporting Period, no incidents of corruption, bribery, or money laundering occurred within the Group.

Community Investment

The Group is dedicated to giving back to society and contributing to the community. In October 2024, the Group donated RMB50,000 to the Jilin Provincial Charity Federation (吉林省慈善總會). We remain committed to upholding our principles of responsibility toward shareholders, investors, suppliers, customers, and the public, while seeking further development opportunities and maintaining harmonious relationships with stakeholders.

The Group also motivates its employees to actively engage in public welfare activities. It believes that through such participation, employees can cultivate their sense of social responsibility, and the Group's standing as an active community-building entity can be further enhanced. Consequently, the Group keeps encouraging employees to take part in community activities, aiming to construct a more sustainable future, a more prosperous economy, and a more harmonious society.

APPENDIX 1: CONTENT INDEX OF ESG REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	A. Environmental	
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions-Waste gas emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions-Waste gas emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management Hazardous waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management Non-hazardous waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	A. Environmental	
Aspect A2: Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e. g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources-Energy management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources-Water resources management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources-Energy management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources-Water resources management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources-Use of packaging materials
Aspect A3: The Environment and Natural Resources	General Disclosure: Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	B. Social	
Aspect B1: Employment	General disclosure Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	B. Social	
Aspect B4: Labour Standards	General Disclosure	
	Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management	General Disclosure	
	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	B. Social	
Aspect B6: Product Responsibility	General Disclosure	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility Compliant processing programme
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility Intellectual property
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility Product recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility Customer data privacy
Aspect B7: Anti-corruption	General Disclosure	
	Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
	B. Social	
Aspect B8: Community Investment	General Disclosure	
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

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To the members of China Treasures New Materials Group Ltd.
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), set out on pages 98 to 171. Which comprise the consolidated statement of financial position at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Expected credit losses ("ECL") assessment of trade receivables

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2024, the gross carrying amount of trade receivables and the related allowance for ECL amounted to approximately RMB114,981,000 and RMB576,000, respectively. At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables. The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis. We have identified ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty. Related disclosures are included in Notes 2, 17 and 28 to the consolidated financial statements.	Our key audit procedures, among others, included: – understanding of the Group's credit risk management and practices and assessing the Group's ECL policy in accordance with the requirements of applicable accounting standards; – evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL; – checking the ageing profile of the trade receivables at the end of reporting period and the post year-end subsequent settlements from customers, on a sample basis, to underlying accounting records and supporting documents; – understanding and evaluating the management's process in identifying the relevant forward-looking information for the ECL assessment; and – checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk of the Group in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. Those charged with governance are responsible for assisting the directors in discharging their responsibility in this regard.

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

– 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.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2025

The engagement director on the audit resulting in this independent auditor's report is:
Law Lai Ting
Practising Certificate number: P07322

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Note	2024 *RMB'000*	2023 *RMB'000*
Revenue	5	**407,495**	365,811
Cost of sales		**(245,457)**	(220,357)
Gross profit		**162,038**	145,454
Other income	6	**20,277**	7,345
Selling and distribution expenses		**(5,405)**	(5,845)
Administrative and other operating expenses		**(41,820)**	(40,520)
Finance costs	7	**(3,287)**	(4,015)
Listing expenses		**–**	(2,289)
Profit before tax	7	**131,803**	100,130
Income tax expenses	10	**(19,426)**	(15,523)
Profit for the year		**112,377**	84,607
Other comprehensive income (loss):			
Item that will not be reclassified to profit or loss			
Translation of the Company's financial statements into presentation currency		**3,067**	3,707
Item that may be reclassified subsequently to profit or loss			
Exchange difference on consolidation		**(3,212)**	2,609
Total other comprehensive (loss) income		**(145)**	6,316
Total comprehensive income for the year		**112,232**	90,923
Profit for the year attributable to:			
Owners of the Company		**111,161**	83,970
Non-controlling interests		**1,216**	637
		112,377	84,607

	Note	2024 *RMB'000*	2023 *RMB'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**111,016**	90,286
Non-controlling interests		**1,216**	637
		112,232	90,923
		RMB cents	*RMB cents*
Earnings per share attributable to owners of the Company	11		
Basic and diluted		**11.12**	8.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	13	**121,225**	99,772
Right-of-use assets	14	**1,028**	11,655
Intangible assets	15	**73**	82
Deposits paid for acquisition of property, plant and equipment	29	**–**	823
Deferred tax assets	22	**86**	147
		122,412	112,479
Current assets			
Inventories	16	**22,172**	21,187
Trade and other receivables	17	**123,314**	108,683
Bank balances and cash	18	**422,706**	315,696
		568,192	445,566
Current liabilities			
Trade and other payables	19	**54,177**	44,533
Interest-bearing borrowings	20	**70,724**	40,158
Lease liabilities	21	**30**	3,280
Deferred income	23	**489**	489
Income tax payables		**1,680**	1,379
		127,100	89,839
Net current assets		**441,092**	355,727
Total assets less current liabilities		**563,504**	468,206

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	21	–	8,231
Interest-bearing borrowings	20	**1,286**	9,500
Deferred income	23	**1,862**	2,351
		3,148	20,082
NET ASSETS		**560,356**	448,124
Capital and reserves			
Share capital	25	**8,800**	8,800
Reserves	25	**547,538**	436,522
Equity attributable to owners of the Company		**556,338**	445,322
Non-controlling interests		**4,018**	2,802
TOTAL EQUITY		**560,356**	448,124

The consolidated financial statements on pages 98 to 171 were approved and authorised for issue by the Board of Directors on 28 March 2025 and signed on its behalf by

Shan Yuzhu
Director

Li Peng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

		Reserves							
	Share capital *RMB'000* *(Note 25(a))*	Share premium *RMB'000* *(Note 25(b))*	Capital reserve *RMB'000* *(Note 25(c))*	Statutory reserve *RMB'000* *(Note 25(d))*	Translation reserve *RMB'000* *(Note 25(e))*	Accumulated profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	8	–	107,710	25,378	(297)	63,040	195,839	2,165	198,004
Profit and total comprehensive income for the year	–	–	–	–	–	83,970	83,970	637	84,607
Other comprehensive income:									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	–	–	–	–	3,707	–	3,707	–	3,707
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation	–	–	–	–	2,609	–	2,609	–	2,609
Total other comprehensive income	–	–	–	–	6,316	–	6,316	–	6,316
Total comprehensive income for the year	–	–	–	–	6,316	83,970	90,286	637	90,923
Transactions with owners:									
Contributions and distributions									
Issue of shares pursuant to the Capitalisation Issue *(Note 25(a)(ii))*	7,119	(7,119)	–	–	–	–	–	–	–
Issue of shares pursuant to the Global Offering *(Note 25(a)(iii))*	1,673	173,887	–	–	–	–	175,560	–	175,560
Transaction costs attributable to issue of shares *(Note 25(a)(iii))*	–	(16,363)	–	–	–	–	(16,363)	–	(16,363)
Appropriation to statutory reserve	–	–	–	9,086	–	(9,086)	–	–	–
Total transactions with owners	8,792	150,405	–	9,086	–	(9,086)	159,197	–	159,197
At 31 December 2023	8,800	150,405	107,710	34,464	6,019	137,924	445,322	2,802	448,124

		Reserves							
	Share capital *RMB'000* *(Note 25(a))*	**Share premium** *RMB'000* *(Note 25(b))*	**Capital reserve** *RMB'000* *(Note 25(c))*	**Statutory reserve** *RMB'000* *(Note 25(d))*	**Translation reserve** *RMB'000* *(Note 25(e))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2024	8,800	150,405	107,710	34,464	6,019	137,924	445,322	2,802	448,124
Profit and total comprehensive income for the year	–	–	–	–	–	111,161	111,161	1,216	112,377
Other comprehensive income (loss):									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	–	–	–	–	3,067	–	3,067	–	3,067
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation	–	–	–	–	(3,212)	–	(3,212)	–	(3,212)
Total other comprehensive loss	–	–	–	–	(145)	–	(145)	–	(145)
Total comprehensive income for the year	–	–	–	–	(145)	111,161	111,016	1,216	112,232
Transaction with owners:									
Contributions and distributions									
Appropriation to statutory reserve	–	–	–	10,974	–	(10,974)	–	–	–
Total transaction with owners	–	–	–	10,974	–	(10,974)	–	–	–
At 31 December 2024	8,800	150,405	107,710	45,438	5,874	238,111	556,338	4,018	560,356

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**131,803**	100,130
Adjustments for:		
Amortisation	**9**	9
Depreciation	**13,993**	15,050
Finance costs	**3,287**	3,929
Interest income	**(808)**	(2,496)
Release of assets related government grants	**(489)**	(489)
Loss on disposal of property, plant and equipment, net	**352**	369
Gain on early termination of lease	**(1,751)**	(1,867)
Provision for loss allowance of trade receivables, net	**68**	145
Operating cash inflows before movements in working capital	**146,464**	114,780
Changes in working capital:		
Inventories	**(985)**	16,612
Trade and other receivables	**(13,582)**	(32,468)
Trade and other payables	**7,272**	22,751
Cash generated from operations	**139,169**	121,675
Income tax paid	**(19,064)**	(16,554)
Net cash from operating activities	**120,105**	105,121
INVESTING ACTIVITIES		
Interest received	**808**	2,496
Payment for purchase of property, plant and equipment	**(32,148)**	(43,581)
Deposits paid for acquisition of property, plant and equipment	**–**	(823)
Proceeds from disposal of property, plant and equipment	**608**	554
Net cash used in investing activities	**(30,732)**	(41,354)

	2024 *RMB'000*	2023 *RMB'000*
FINANCING ACTIVITIES		
Inception of interest-bearing borrowings	**67,750**	57,962
Repayment of interest-bearing borrowings	**(45,500)**	(48,244)
Repayment to Pre-IPO Investors	**–**	(10,003)
Interest paid	**(2,724)**	(3,929)
Issue of share capital	**–**	175,560
Payment for transaction costs attributable to issue of shares	**–**	(16,363)
Repayment of lease liabilities	**(1,991)**	(2,380)
Net cash from financing activities	**17,535**	152,603
Net increase in cash and cash equivalents	**106,908**	216,370
Cash and cash equivalents at beginning of year	**315,696**	99,230
Effect on exchange rate changes	**102**	96
Cash and cash equivalents at end of year, represented by bank balances and cash	**422,706**	315,696

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2023 (the "**Listing**"). The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group's headquarter is situated at No. 3, Jing'Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC. The principal activities of its subsidiaries are set out in Note 24 to the consolidated financial statements.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu (together the "**Ultimate Controlling Parties**").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("**RMB**") and all amounts have been rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standards and effective from the current year.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting Standards:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Amendments to IAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

A summary of principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the reporting period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

Allocation of total comprehensive income

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The carrying amounts of the investments are reduced to its recoverable amounts on an individual basis, if it is higher than the recoverable amount. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 years
Leasehold improvements	10 years
Plant and machinery	10 to 20 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Acquired patents

The initial cost of acquired patents is capitalised. Patents with indefinite useful lives are carried at cost less accumulated impairment losses. Patents with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the patent and the expectation of technological or commercial obsolescence of the patent.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overheads and outsourcing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the reporting period, no development cost was capitalised by the Group.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as measured at amortised cost.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing borrowings. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement of ECL (Continued)

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

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

- an actual or expected significant deterioration in the operating results of the debtor; and/or

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bank balances and cash are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within IFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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 Company's functional currency is Hong Kong dollar ("**HK$**") and majority of its subsidiaries have RMB as their functional currency. The consolidated financial statements are presented in RMB and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

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

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") 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 end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value credited to a deferred income account and is released to profit or loss on a systematic basis over the expected useful life of the relevant asset.

Leases

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

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired term of lease
Leased properties	Over the unexpired term of lease
Motor vehicles	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

A lease modification is accounted for as a separate lease if

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

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

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short term employee benefits

Salaries, bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a holding company of the Group.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

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

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

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

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

The management of the Group determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Allowance for inventories

The management of the Group reviews the inventory ageing and subsequent sales/utilisation analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Considered the carrying amount of loss allowance for trade receivable is insignificant at 31 December 2024 and 2023, no sensitivity analysis has been prepared in this respect.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

3. FUTURE CHANGES IN IFRS ACCOUNTING STANDARDS

At the date of approving the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the current reporting period, which the Group has not early adopted.

Amendments to IAS 21	*Lack of Exchangeability* (1)
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments* (2)
Annual Improvements to IFRS Accounting Standards	*Volume 11* (2)
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity* (2)
IFRS 18	*Presentation and Disclosure in Financial Statements* (3)
IFRS 19	*Subsidiaries without Public Accountability: Disclosures* (3)
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (4)

(1) Effective for annual periods beginning on or after 1 January 2025
(2) Effective for annual periods beginning on or after 1 January 2026
(3) Effective for annual periods beginning on or after 1 January 2027
(4) The effective date to be determined

The management of the Group does not anticipate that the adoption of these new/revised IFRS Accounting Standards in future periods will have any material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

1) development and manufacture of biodegradable plastic products; and

2) development and manufacture of non-biodegradable automobile plastic parts.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

The segment information provided to the CODM of the Group for the reportable operating segments for the reporting period is as follows:

	Development and manufacture of biodegradable plastic products *RMB'000*	Development and manufacture of non-biodegradable automobile plastic parts *RMB'000*	Total *RMB'000*
Year ended 31 December 2024			
Segment revenue	**381,163**	**26,332**	**407,495**
Segment cost of sales	**(229,947)**	**(15,510)**	**(245,457)**
Segment results	**151,216**	**10,822**	**162,038**
Other income			**20,277**
Selling and distribution expenses			**(5,405)**
Administrative and other operating expenses			**(41,820)**
Finance costs			**(3,287)**
Profit before tax			**131,803**
Income tax expenses			**(19,426)**
Profit for the year			**112,377**
Other information			
Research and development costs	**26,196**	**–**	**26,196**
Amortisation of intangible assets	**9**	**–**	**9**
Depreciation *(Note)*			
– Property, plant and equipment	**2,808**	**3,080**	**5,888**
– Right-of-use assets	**69**	**–**	**69**
Provision for loss allowances on trade receivables, net	**43**	**25**	**68**

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Development and manufacture of biodegradable plastic products *RMB'000*	**Development and manufacture of non-biodegradable automobile plastic parts** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2023			
Segment revenue	346,936	18,875	365,811
Segment cost of sales	(209,269)	(11,088)	(220,357)
Segment results	137,667	7,787	145,454
Other income			7,345
Selling and distribution expenses			(5,845)
Administrative and other operating expenses			(40,520)
Finance costs			(4,015)
Listing expenses			(2,289)
Profit before tax			100,130
Income tax expenses			(15,523)
Profit for the year			84,607
Other information			
Research and development costs	17,443	–	17,443
Amortisation of intangible assets	9	–	9
Depreciation *(Note)*			
– Property, plant and equipment	1,156	967	2,123
– Right-of-use assets	69	–	69
Provision for loss allowances on trade receivables, net	128	17	145

Note: Unallocated depreciation of property, plant and equipment of approximately RMB5,217,000 *(2023: approximately RMB4,740,000)* and right-of-use assets of approximately RMB2,819,000 *(2023: approximately RMB8,118,000)* were not included in other information for the year ended 31 December 2024.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	Development and manufacture of biodegradable plastic products *RMB'000*	**Development and manufacture of non-biodegradable automobile plastic parts** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
At 31 December 2024				
Assets				
Reportable segment assets	**142,426**	**36,032**	**512,146**	**690,604**
Liabilities				
Reportable segment liabilities	**40,471**	**1,009**	**88,768**	**130,248**
Other information				
Capital expenditures	**3,322**	**62**	**31,251**	**34,635**
At 31 December 2023				
Assets				
Reportable segment assets	125,965	37,539	394,541	558,045
Liabilities				
Reportable segment liabilities	36,305	345	73,271	109,921
Other information				
Capital expenditures	7,996	25,545	20,127	53,668

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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

- segment assets include deposits for acquisition of property, plant and equipment, inventories, trade receivables, certain property, plant and equipment, certain right-of-use assets, intangible assets and certain other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and

- segment liabilities include trade payables and certain other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the years ended 31 December 2024 and 2023 is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the reporting periods are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Development and manufacture of biodegradable plastic products		
Customer A	**58,924**	42,629

5. REVENUE

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
At a point in time		
Development and manufacture of biodegradable plastic products	**381,163**	346,936
Development and manufacture of non-biodegradable automobile plastic parts	**26,332**	18,875
	407,495	365,811

6. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Interest income	**808**	2,496
Government grants *(Note (i))*	**9,803**	2,889
Gain on early termination of leases *(Note (ii))*	**1,751**	1,867
Net exchange gain	**–**	93
Extra refund of lease payment *(Note (iii))*	**7,900**	–
Others	**15**	–
	20,277	7,345

Notes:

(i) Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred and investments made by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group also received government grants in respect of its investments in the PRC. During the year ended 31 December 2024, amortisation of assets related grants was approximately RMB489,000 *(2023: approximately RMB489,000) (Note 23)*.

There are no unfulfilled conditions or contingencies relating to these grants.

(ii) During the year ended 31 December 2024, the Group has entered into three lease termination agreements with respective lessor, leading to the termination of three lease arrangements for leased properties/factories. Accordingly, the Group derecognised right-of-use assets with net book value of approximately RMB7,739,000 and the related lease liabilities with carrying amount of approximately RMB9,490,000, resulting in a total gain on early termination of lease of approximately RMB1,751,000.

During the year ended 31 December 2023, the Group has entered into a lease termination agreement with a lessor, pursuant to which, a lease arrangement in respect of a factory (the "**2023 Terminated Lease**") was terminated and a lease payment of RMB1,000,000 previously prepaid would be returned to the Group (the "**2023 Lease Termination**"). Accordingly, the Group derecognised right-of-use assets of approximately RMB17,869,000 and lease liabilities of approximately RMB18,736,000 and recognised other receivables of approximately RMB1,000,000 which resulted in a gain on early termination of lease of approximately RMB1,867,000.

(iii) Since the properties related to the 2023 Terminated Lease was unable to fulfil the environmental and fire safety requirements, the Group received an additional refund of lease payment of RMB7,900,000 according to a supplemental termination agreement entered with the lessor in July 2024 in respect of the 2023 Terminated Lease which had been terminated in 2023 as mentioned in Note 6(ii) above. Since the effect of the 2023 Lease Termination was accounted for in prior year, the additional refund was directly credited to other income in current year.

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2024 *RMB'000*	2023 *RMB'000*
Finance costs		
Interest on bank loans	**2,936**	3,165
Interest on lease liabilities	**351**	850
	3,287	4,015
Staff costs (including directors' emoluments in Note 8)		
Salaries, discretionary bonus, allowances and other benefits in kind	**11,583**	11,372
Contributions to defined contribution plans	**2,845**	1,726
	14,428	13,098
Other items		
Cost of inventories *(Note i)*	**229,946**	217,534
Auditor's remuneration	**2,007**	1,982
Amortisation of intangible assets (charged to "**administrative and other operating expenses**")	**9**	9
Depreciation of property, plant and equipment (charged to "**cost of sales**", "**selling and distribution expenses**" and "**administrative and other operating expenses**", as appropriate)	**11,105**	6,863
Depreciation of right-of-use assets (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate)	**2,888**	8,187
Loss on disposal of property, plant and equipment, net	**352**	369
Research and development expenses (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate) *(Note ii)*	**26,196**	17,443
Expenses recognised under short-term leases	**559**	91
Provision for loss allowance of trade receivables, net	**68**	145

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(i) Cost of inventories included the following items which were included in the respective amounts as disclosed above.

	2024	2023
	RMB'000	*RMB'000*
Staff costs	**8,134**	7,361
Depreciation on:		
– Property, plant and equipment	**8,385**	5,270
– Right-of-use assets	**1,121**	2,389
	17,640	15,020

(ii) Research and development expenses included the following items which were also included in the respective amounts as disclosed above.

	2024	2023
	RMB'000	*RMB'000*
Staff costs	**1,165**	1,162
Depreciation on property, plant and equipment	**370**	390
	1,535	1,552

8. DIRECTORS' REMUNERATION

Year ended 31 December 2024

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	**111**	**125**	**–**	**40**	**276**
Mr. Shan Yuzhu	**111**	**678**	**–**	**164**	**953**
Mr. Li Xiquan	**111**	**125**	**–**	**40**	**276**
Mr. Li Peng	**111**	**78**	**–**	**25**	**214**
Independent non-executive directors					
Mr. Ng Tat Fung *(Note i)*	**93**	**–**	**–**	**–**	**93**
Dr. Lai King Yin	**111**	**–**	**–**	**–**	**111**
Dr. Sun Shulin *(Note ii)*	**93**	**–**	**–**	**–**	**93**
Mr. Leung Tsz Wing *(Note i)*	**22**	**–**	**–**	**–**	**22**
Dr. Song Xiaofeng *(Note ii)*	**22**	**–**	**–**	**–**	**22**
	785	**1,006**	**–**	**269**	**2,060**

Year ended 31 December 2023

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	78	125	–	40	243
Mr. Shan Yuzhu	78	612	–	158	848
Mr. Li Xiquan	78	124	–	39	241
Mr. Li Peng	78	77	–	25	180
Independent non-executive directors					
Mr. Ng Tat Fung *(Note i)*	78	–	–	–	78
Dr. Lai King Yin	78	–	–	–	78
Dr. Sun Shulin *(Note ii)*	78	–	–	–	78
	546	938	–	262	1,746

8. DIRECTORS' REMUNERATION (CONTINUED)

Notes:

(i) On 21 October 2024, Mr. Ng Tat Fung resigned as an independent non-executive director of the Company and Mr. Leung Tsz Wing was appointed as an independent non-executive director of the Company.

(ii) On 28 October 2024, Dr. Sun Shulin resigned as an independent non-executive director of the Company and Dr. Song Xiaofeng was appointed as an independent non-executive director of the Company.

During the years ended 31 December 2024 and 2023, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the reporting periods is as follows:

	Number of individuals	
	2024	2023
Director	**4**	3
Non-director	**1**	2
	5	5

Details of the remuneration of the above highest paid non-director individual(s) are as follows:

	2024	2023
	RMB'000	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	**125**	250
Contributions to defined contribution plans	**40**	80
	165	330

The number of the non-director individual(s) whose emoluments fell within the following emoluments band is as follows:

	2024	2023
Nil to HK$1,000,000	**1**	2

During the years ended 31 December 2024 and 2023, no remuneration was paid by the Group to any of the non-director individual(s) as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a non-director individual waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

10. TAXATION

	2024 **RMB'000**	2023 *RMB'000*
Current tax		
PRC enterprise income tax ("**PRC EIT**")	**19,365**	15,242
Deferred tax *(Note 22)*		
Changes in temporary differences	**61**	281
Total income tax expenses for the year	**19,426**	15,523

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2024 and 2023.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Province Kaishun New Material Co., Ltd* (吉林開順新材料有限公司) ("**Jilin Kaishun**") which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% during the years ended 31 December 2024 and 2023. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in November 2024 for the three years ending 31 December 2026.

Reconciliation of income tax expenses

	2024 **RMB'000**	2023 *RMB'000*
Profit before tax	**131,803**	100,130
Income tax at statutory tax rate applicable in respective tax jurisdictions	**33,521**	25,445
Effect of preferential tax treatments	**(12,954)**	(10,348)
Non-deductible expenses	**997**	1,204
Additional tax deduction on research and development expenses *(Note)*	**(2,146)**	(1,322)
Unrecognised tax losses	**8**	544
Total income tax expenses for the year	**19,426**	15,523

Note:

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

* *English name for identification purpose only.*

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2024	2023
	RMB'000	*RMB'000*
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	**111,161**	83,970
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,000,000**	953,671

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year. For the year ended 31 December 2023, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share was on the basis as if the Capitalisation Issue (Note 25) had been effective on 1 January 2023.

There were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023, and therefore, diluted earnings per share is the same as the basic earnings per share.

12. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2024 *(2023: Nil)*.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount – year ended 31 December 2024						
At 1 January 2024	**20,561**	**23,828**	**54,336**	**198**	**849**	**99,772**
Additions	**–**	**30,523**	**4,089**	**21**	**2**	**34,635**
Disposal	**–**	**–**	**(2,077)**	**–**	**–**	**(2,077)**
Depreciation	**(1,526)**	**(3,131)**	**(6,156)**	**(68)**	**(224)**	**(11,105)**
At 31 December 2024	**19,035**	**51,220**	**50,192**	**151**	**627**	**121,225**
Reconciliation of carrying amount – year ended 31 December 2023						
At 1 January 2023	22,088	26,492	14,359	100	602	63,641
Additions	–	–	43,373	128	416	43,917
Disposal	–	–	(923)	–	–	(923)
Depreciation	(1,527)	(2,664)	(2,473)	(30)	(169)	(6,863)
At 31 December 2023	20,561	23,828	54,336	198	849	99,772
At 31 December 2024						
Cost	**32,139**	**58,570**	**66,160**	**359**	**1,467**	**158,695**
Accumulated depreciation	**(13,104)**	**(7,350)**	**(15,966)**	**(208)**	**(842)**	**(37,470)**
	19,035	**51,220**	**50,194**	**151**	**625**	**121,225**
At 31 December 2023						
Cost	32,139	28,047	64,794	338	1,467	126,785
Accumulated depreciation	(11,578)	(4,219)	(10,458)	(140)	(618)	(27,013)
	20,561	23,828	54,336	198	849	99,772

The Group's buildings with a total carrying amount of approximately RMB19,035,000 and RMB20,561,000 at 31 December 2024 and 2023, respectively, were pledged to secure banking facilities granted to the Group *(Note 20)*.

14. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Leased properties *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount – year ended 31 December 2024				
At 1 January 2024	**792**	**10,414**	**449**	**11,655**
Disposal upon early termination of lease	**–**	**(7,739)**	**–**	**(7,739)**
Depreciation	**(24)**	**(2,645)**	**(219)**	**(2,888)**
At 31 December 2024	**768**	**30**	**230**	**1,028**
Reconciliation of carrying amount – year ended 31 December 2023				
At 1 January 2023	816	26,429	715	27,960
Additions	–	9,751	–	9,751
Disposal upon early termination of lease	–	(17,869)	–	(17,869)
Depreciation	(24)	(7,897)	(266)	(8,187)
At 31 December 2023	792	10,414	449	11,655
At 31 December 2024				
Cost	**973**	**18,174**	**1,399**	**20,546**
Accumulated depreciation	**(205)**	**(18,144)**	**(1,169)**	**(19,518)**
	768	**30**	**230**	**1,028**
At 31 December 2023				
Cost	973	25,913	1,399	28,285
Accumulated depreciation	(181)	(15,499)	(950)	(16,630)
	792	10,414	449	11,655

14. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases properties and motor vehicles for its daily operations and the lease terms are 3 to 6 years for each lease during the years ended 31 December 2024 and 2023. The leasehold land represents lump sum consideration paid by the Group, which are with initial lease period of 41 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold land with a total carrying amount of approximately RMB768,000 and RMB792,000 at 31 December 2024 and 2023, respectively, were pledged to secure banking facilities granted to the Group *(Note 20)*.

The Group's motor vehicles with a total carrying amount of approximately RMB230,000 and RMB449,000 at 31 December 2024 and 2023, respectively, were pledged to secure the lease liabilities *(Note 21)*. The lease agreements do not impose any covenants other than the security interests in the motor vehicles those are held by the lessor.

Extension and termination options

Certain lease contracts of the leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased property is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased property without significant cost or acquisition of a new property or there exists special circumstance leading to termination of lease which would be negotiated with the lessor on case by case basis. The Group seldom exercises options that were not included in the lease liabilities. During the year ended 31 December 2024, the lease contract for the leased property contains an extension or termination option, in which the total lease payment made amounted to approximately RMB73,000 *(2023: approximately RMB73,000)*, representing the total cash outflows for lease during the reporting period.

Restriction or covenants

Except for the leasehold land, other leases of the Group impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

15. INTANGIBLE ASSETS

	Patents *RMB'000*
Reconciliation of carrying amount	
At 1 January 2024	**82**
Amortisation	**(9)**
At 31 December 2024	**73**
Reconciliation of carrying amount	
At 1 January 2023	91
Amortisation	(9)
At 31 December 2023	82
At 31 December 2024	
Cost	**100**
Accumulated amortisation	**(27)**
	73
At 31 December 2023	
Cost	100
Accumulated amortisation	(18)
	82

Patents represent certain new technologies for the manufacture of biodegradable plastic products, acquisition cost of which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 2.

16. INVENTORIES

	2024 *RMB'000*	2023 *RMB'000*
Raw materials	**16,801**	14,549
Finished goods	**5,371**	6,638
	22,172	21,187

17. TRADE AND OTHER RECEIVABLES

	Note	2024 *RMB'000*	2023 *RMB'000*
Trade receivables			
From third parties		**114,981**	101,546
Less: Loss allowances		**(576)**	(508)
	17(a)	**114,405**	101,038
Other receivables			
Prepayments	17(b)	**6,440**	2,473
Other deposits and receivables	17(c)	**2,073**	1,871
Value-added tax and other tax recoverable		**396**	3,301
		8,909	7,645
		123,314	108,683

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

17(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**43,776**	34,946
31 to 60 days	**37,771**	34,903
61 to 90 days	**30,280**	31,189
Over 90 days	**2,578**	–
	114,405	101,038

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	2024	2023
	RMB'000	*RMB'000*
Not yet due	**111,827**	101,038
Within 30 days	**1,283**	–
31 to 60 days	**1,295**	–
	114,405	101,038

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

17(b) The amount at 31 December 2024 mainly represents prepaid consultancy fee *(2023: prepayment for purchase of raw materials)*.

17(c) The amount at 31 December 2024 mainly represents consideration receivables from disposal of property, plant and equipment of approximately RMB1,117,000 which was fully settled in January 2025 *(2023: lease payment of RMB1,000,000 to be returned to the Group by the lessor upon early termination of a lease. It was subsequently settled in March 2024)*.

17(d) Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 28.

18. BANK BALANCES AND CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

	2024 ***RMB'000***	2023 *RMB'000*
RMB	**422,572**	315,598
HK$	**134**	98
	422,706	315,696

At 31 December 2024, bank balances that were placed with banks in the PRC amounted to approximately RMB422,572,000 *(2023: approximately RMB315,598,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

	Note	**2024** ***RMB'000***	2023 *RMB'000*
Trade payables			
To third parties	19(a)	**41,480**	36,650
Other payables			
Salary payables		**1,380**	1,426
Value-added tax and other tax payables		**1,313**	35
Amount due to a director	19(b)	**1,617**	353
Accruals and other payables	19(c)	**8,387**	6,069
		12,697	7,883
		54,177	44,533

19. TRADE AND OTHER PAYABLES (CONTINUED)

19(a) Trade payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**26,095**	17,601
31 to 60 days	**15,227**	19,049
61 to 90 days	**158**	–
	41,480	36,650

19(b) Amount due to a director

The amount due is unsecured, interest-free and repayable on demand.

19(c) Accruals and other payables

The amount at 31 December 2024 included provision for legal and professional fee of approximately RMB1,574,000 *(2023: approximately RMB2,027,000)*, accrued interest expenses of approximately RMB1,334,000 *(2023: approximately RMB746,000)* and payable for purchase of property, plant and equipment of approximately RMB1,664,000 *(2023: approximately RMB23,000)*.

20. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the interest-bearing borrowings were as follows:

	Note	**2024** *RMB'000*	2023 *RMB'000*
Secured borrowings	(a), (c)		
– Entrusted loan		–	16,000
– Other loan		**57,250**	29,000
		57,250	45,000
Unsecured borrowings	(b)		
– Other loan		**14,760**	4,658
		72,010	49,658
Current portion		**70,724**	40,158
Non-current portion		**1,286**	9,500
		72,010	49,658

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2024 *RMB'000*	2023 *RMB'000*
RMB	**67,250**	45,000
HK$	**4,760**	4,658
	72,010	49,658

20. INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

20(a) At 31 December 2024, the secured borrowings carry weighted average effective interest rate of approximately 4.41% (2023: approximately 6.39%) per annum.

20(b) The unsecured borrowings as at 31 December 2024 carry effective interest rate of 10.90% (2023: 12%) per annum.

20(c) The secured borrowings are secured by:

(i) patents held by Jilin Kaishun with net carrying amount of approximately RMB73,000 and RMB82,000 at 31 December 2024 and 2023, respectively (Note 15);

(ii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB768,000 and RMB792,000 at 31 December 2024 and 2023, respectively (Note 14);

(iii) buildings of the Group with aggregate net carrying amounts of approximately RMB19,035,000 and RMB22,561,000 at 31 December 2024 and 2023, respectively (Note 13);

(iv) personnel guarantee provided by Mr. Shan Yuzhu, an executive director of the Company against a loan with carrying amount of approximately RMB3,000,000 (2023: Nil); and

(v) properties held by Mr. Shan Yuzhu against a loan with carrying amount of approximately RMB15,990,000 (2023: Nil).

In addition, the secured borrowings are guaranteed by a non-wholly owned subsidiary, 儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd.* ("**Yizheng Juxinyuan**"), Changchun Guangke and the Company.

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2024 and 2023, none of the covenants relating to drawn down facilities had been breached.

* *English name for identification purpose only.*

21. LEASE LIABILITIES

	2024	2023
	RMB'000	*RMB'000*
Current portion	**30**	3,280
Non-current portion	**–**	8,231
	30	11,511

The Group has recognised the following amounts relating to short-term leases during the reporting period:

	2024	2023
	RMB'000	*RMB'000*
Lease payments – Short-term leases	**559**	91

Commitments and present value of lease liabilities:

	Lease payments		**Present value of lease payments**	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable:				
Within one year	**31**	3,720	**30**	3,280
In the second to fifth years inclusive	**–**	8,863	**–**	8,231
	31	12,583	**30**	11,511
Less: future finance charges	**(1)**	(1,072)	**–**	–
Total lease liabilities	**30**	11,511	**30**	11,511

The total cash outflows for leases for the years ended 31 December 2024 and 2023 were approximately RMB2,901,000 and RMB3,321,000, respectively.

The lease agreements do not impose any covenants other than the security interests in certain right-of-use assets with aggregate net carrying amounts of approximately RMB230,000 and RMB449,000 at 31 December 2024 and 2023, respectively *(Note 14)*.

At 31 December 2024, the weighted average of the incremental borrowing rates for the lease liabilities of the Group was 4.54% *(2023: 4.49%)* per annum.

22. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated financial statements, the following is the analysis of the deferred taxation:

	2024 ***RMB'000***	2023 *RMB'000*
At the beginning of the reporting period	**147**	428
Charge to profit or loss	**(61)**	(281)
At the end of the reporting period	**86**	147

The movements in the Group's deferred tax assets for the reporting period were as follows:

	Accrued revenue and costs *RMB'000*
At 1 January 2023	428
Income tax expense	(281)
At 31 December 2023	147
At 1 January 2024	147
Income tax expense	(61)
At 31 December 2024	**86**

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately RMB31,078,000 *(2023: approximately RMB20,104,000)*.

23. DEFERRED INCOME

	2024	2023
	RMB'000	*RMB'000*
Assets related government grants	**2,351**	2,840

Movement of assets related government grants:

	RMB'000
At 1 January 2023	3,329
Credit to profit or loss	(489)
At 31 December 2023	2,840
At 1 January 2024	2,840
Credit to profit or loss	(489)
At 31 December 2024	**2,351**

The carrying amount of deferred income of the Group analysed as:

	2024	2023
	RMB'000	*RMB'000*
Current portion	**489**	489
Non-current portion	**1,862**	2,351
	2,351	2,840

The assets related government grant represents amount of RMB5,000,000 which was received in prior years in relation to subsidies for acquisition of certain building and plant and machineries.

24. SUBSIDIARIES

Details of principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
HK Tianshun International Environmental Protection Technology Group Co., Limited	Ordinary	Hong Kong	100% *(2023: 100%)*	HK$1	Investment holding
Green Environmental Protection Technology Hong Kong Group Co., Limited ("**Green Environmental HK**")	Ordinary	Hong Kong	100% *(2023: 100%)*	HK$1	Investment holding
吉林省邁盛新材料有限公司 Jilin Province Maisheng New Material Co., Ltd.* ("**Jilin Maisheng**")	Registered	The PRC	100% *(2023: 100%)*	RMB123,000,000	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
長春廣科科技有限公司 Changchun Guangke Technology Co., Ltd.* ("**Changchun Guangke**")	Registered	The PRC	99% *(2023: 99%)*	RMB123,010,101	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
Jilin Kaishun	Registered	The PRC	*99.01%* *(2023: 99.01%)*	RMB150,823,942	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts

24. SUBSIDIARIES

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
Yizheng Juxinyuan	Registered	The PRC	99.01% *(2023: 99.01%)*	RMB10,000,000	Trading of biodegradable packing materials
廣東省首塑新材料科技有限公司 Guangdong Province Shousu New Material Technology Co., Ltd.*	Registered	The PRC	90% *(2023: 90%)*	RMB10,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金克新材料科技有限公司 Zhejiang Anji Jinke New Material Technology Co., Ltd.* *(Note)*	Registered	The PRC	100% *(2023: 100%)*	RMB7,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金興新材料有限公司 Zhejiang Anji Jinxing New Materials Co., Ltd.* *(Note)*	Registered	The PRC	100% *(2023: 100%)*	RMB7,000,000	Inactive

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

Note: These entities are wholly owned foreign enterprises established in the PRC with limited liability.

* *English name for identification purpose only.*

25. SHARE CAPITAL AND RESERVES

25(a) Share capital

	Note	Number of shares	Amount *HK$'000*
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2023		38,000,000	380
Increase	(i)	9,962,000,000	99,620
At 31 December 2023 and 31 December 2024		**10,000,000,000**	**100,000**

		Number of shares	Amount *HK$'000*	Equivalent to *RMB'000*
Issued and fully paid:				
At 1 January 2023		1,000,000	10	8
Issue of shares pursuant to the Capitalisation Issue	(ii)	809,000,000	8,090	7,119
Issue of shares pursuant to the Global Offering	(iii)	190,000,000	1,900	1,673
At 31 December 2023 and 31 December 2024		**1,000,000,000**	**10,000**	**8,800**

Notes:

(i) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, inter-alia, the authorised share capital of the Company was increased from 38,000,000 to 10,000,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(ii) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, subject to the share premium account of the Company being credited as a result of the Global Offering (as defined in note 25a(iii) below) of the Company's shares, the directors of the Company were authorised to allot and issue a total of 809,000,000 shares of HK$0.01 each to the then shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$8,090,000 (equivalent to approximately RMB7,119,000) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was completed on 31 March 2023.

25. SHARE CAPITAL AND RESERVES (CONTINUED)

25(a) Share capital (Continued)

Notes: (Continued)

(iii) On 31 March 2023, 250,000,000 ordinary shares with par value of HK$0.01 of the Company were offered to sell at a price of HK$1.05 per share by way of share offer (the "**Global Offering**"). Under the Global Offering, 190,000,000 new shares were issued and 60,000,000 sale shares (the "**Sale Shares**") were offered by a selling shareholder, Lvsesenlin Technology Holdings Limited (the "**Selling Shareholder**") which is directly owned by Mr. Shan Yuzhu.

The net proceeds of HK$59,220,000 were received by the Selling Shareholder from the sale of Sale Shares (after deduction of the proportionate share of underwriting commissions of HK$3,780,000 borne by the Selling Shareholder in relation to the Global Offering). The Company would not receive any of the proceeds from sale of Sale Shares.

Also, the gross proceeds from the sale of 190,000,000 new shares amounted to HK$199,500,000 (equivalent to approximately RMB175,560,000). The expenses directly attributable to the issue of 190,000,000 new shares in relation to the Global Offering of approximately RMB16,363,000 have been recognised in the share premium account of the Company.

25(b) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

25(c) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the reorganisation.

25(d) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

25(e) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for consolidation.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2024, further information of the related party transactions is set out below.

(a) Balance with related parties:

At 31 December 2024, there was no significant balance with related parties except for the amount due to a director with carrying amount of approximately RMB1,617,000 *(2023: approximately RMB353,000)* as further detailed in Note 19(b).

(b) Remuneration for key management personnel (namely the Company's directors) of the Group:

	2024	2023
	RMB'000	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	**1,791**	1,484
Contributions to defined contribution plans	**269**	262
	2,060	1,746

Further details of the remuneration of the Company's directors are set out in Note 8.

27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has following major non-cash transactions:

During the year ended 31 December 2024, the Group incurred payables of approximately RMB1,664,000 in respect of purchase of property, plant and equipment as further detailed in Note 19(c).

(b) Reconciliation of liabilities arising from financing activities

The movements during the reporting periods in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes			
	At 1 January 2024	Net cash flows	Exchange adjustments	Termination of lease	Addition of right-of-use assets	At 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024						
Interest-bearing borrowings	49,658	22,250	102	–	–	72,010
Lease liabilities	11,511	(1,991)	–	(9,490)	–	30
Total liabilities from financing activities	61,169	20,259	102	(9,490)	–	72,040

27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

			Non-cash changes			
	At 1 January 2023 *RMB'000*	Net cash flows *RMB'000*	Exchange adjustments *RMB'000*	Termination of lease *RMB'000*	Addition of right-of-use assets *RMB'000*	At 31 December 2023 *RMB'000*
Year ended 31 December 2023						
Interest-bearing borrowings	39,844	9,718	96	–	–	49,658
Lease liabilities	22,876	(2,380)	–	(18,736)	9,751	11,511
Due to Pre-IPO Investors (included in "Trade and other payables")	10,003	(10,003)	–	–	–	–
Total liabilities from financing activities	72,723	(2,665)	96	(18,736)	9,751	61,169

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of bank balances and cash, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The carrying amount of financial assets recognised on the consolidated financial statements, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

	2024	2023
	RMB'000	*RMB'000*
Deposits paid for acquisition of property, plant and equipment	**–**	823
Trade and other receivables	**116,478**	102,909
Bank balances and cash	**422,706**	315,696
	539,184	419,428

Trade receivables

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2024, the Group had a concentration of credit risk as approximately 13.90% (2023: 13.20%) of the total trade receivables was due from the Group's largest trade debtor, and approximately 28.97% (2023: 30.64%) of the total trade receivables was due from the Group's five largest trade debtors, respectively.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the reporting period.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2024 and 2023, and no material change in late payment and default risk as well as forward- looking factors throughout the reporting period, the management of the Group estimates that the ECL for those balances is insignificant and assigns 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the reporting period.

The Group does not hold any collateral over trade receivables at 31 December 2024 and 2023.

Based on the expected loss rate of 0.5% for the reporting periods, the Group recognised loss allowances of approximately RMB576,000 and RMB508,000 on the trade receivables at 31 December 2024 and 2023, respectively. The movements in loss allowances for trade receivables during the reporting periods are summarised below.

	2024 ***RMB'000***	2023 *RMB'000*
At the beginning of the reporting period	**508**	363
Provision for loss allowances, net	**68**	145
At the end of the reporting period	**576**	508

None of the trade receivables were written off during the reporting periods.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include bank balances and cash and other receivables in the consolidated statement of financial position.

The majority of the Group's bank balances are deposited in major financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

The management of the Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the reporting period.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	On demand or less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*
At 31 December 2024					
Trade and other payables					
interest-bearing	**51,484**	**51,484**	**51,484**	**–**	**–**
Borrowings	**72,010**	**75,307**	**73,972**	**1,335**	**–**
Lease liabilities	**30**	**31**	**31**	**–**	**–**
	123,524	**126,822**	**125,487**	**1,335**	**–**
At 31 December 2023					
Trade and other payables	43,072	43,072	43,072	–	–
Interest-bearing borrowings	49,658	52,997	43,477	9,520	–
Lease liabilities	11,511	12,583	3,720	2,620	6,243
	104,241	108,652	90,269	12,140	6,243

29. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair value.

30. COMMITMENTS

(a) Capital expenditure commitments

	2024 *RMB'000*	2023 *RMB'000*
Contracted but not provided net of deposits paid for acquisition of		
– leasehold land *(Note)*	**9,976**	–
– property, plant and equipment	**–**	3,503

Note:

The amount represents consideration for purchase of leasehold land located in Changchun, the PRC and has been subsequently settled in January 2025.

(b) Commitments under leases

The Group as lessee

At 31 December 2024 and 2023, the Group was committed to approximately RMB962,000 and RMB110,000 for short-term leases, respectively.

31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the reporting period.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Investments in subsidiaries		**-***	-*
Property, plant and equipment		**1**	1
		1	1
Current assets			
Other receivables and prepayments		**3,513**	5,223
Amounts due from subsidiaries	32(a)	**146,981**	143,595
Bank balances and cash		**104**	70
		150,598	148,888
Current liabilities			
Other payables	32(b)	**4,545**	2,969
Interest-bearing borrowings		**4,760**	4,658
Amount due to a subsidiary	32(a)	**4,822**	1,531
		14,127	9,158
Net current assets		**136,471**	139,730
NET ASSETS		**136,472**	139,731
Capital and reserves			
Share capital	25(a)	**8,800**	8,800
Reserves	32(c)	**127,672**	130,931
TOTAL EQUITY		**136,472**	139,731

* *Represent amounts less than RMB1,000.*

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

32(a) Amounts due from subsidiaries/amount due to a subsidiary

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

32(b) Other payables

	2024	2023
	RMB'000	*RMB'000*
Provision for legal and professional fees	**1,574**	2,027
Interests payable	**1,334**	746
Others	**1,637**	196
	4,545	2,969

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

32(c)Reserves

	Share premium *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2023	–	(2)	(17,032)	(17,034)
Loss for the year	–	–	(6,147)	(6,147)
Other comprehensive income				
Exchange difference on translation into presentation currency	–	3,707	–	3,707
Total comprehensive loss for the year	**–**	**3,705**	**(23,179)**	**(19,474)**
Transactions with owners				
Contributions and distributions				
Issue of shares pursuant to the *Capitalisation Issue* *(Note 25(a)(ii))*	(7,119)	-	-	(7,119)
Issue of shares pursuant to the Global Offering *(Note 25(a)(iii))*	173,887	-	-	173,887
Transaction costs attributable to issue of shares *(Note 25(a)(iii))*	(16,363)	-	-	(16,363)
Total transactions with owners	**150,405**	**-**	**-**	**150,405**
At 31 December 2023 and 1 January 2024	150,405	3,705	(23,179)	130,931
Loss for the year	-	-	(6,326)	(6,326)
Other comprehensive income				
Exchange difference on translation into presentation currency	-	3,067	-	3,067
Total comprehensive loss for the year	**150,405**	**3,067**	**(6,326)**	**(3,259)**
At 31 December 2024	**150,405**	**6,772**	**(29,505)**	**127,672**

FINANCIAL SUMMARY

The summary of the published results and of the assets and liabilities of the Group for the last five years is as follows:

RESULTS

	For the year ended 31 December				
	2024[1]	*2023[1]*	*2022[1]*	2021[1]	2020[2]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**407,495**	365,811	299,789	256,740	166,722
Cost of sales	**(245,457)**	(220,357)	(179,545)	(143,608)	(96,585)
Gross profit	**162,038**	145,454	120,244	113,132	70,137
Other income	**20,277**	7,345	747	1,208	1,066
Selling and distribution expenses	**(5,405)**	(5,845)	(5,242)	(1,409)	(894)
Administrative and other operating expenses	**(41,820)**	(40,520)	(25,382)	(13,311)	(10,342)
Finance costs	**(3,287)**	(4,015)	(3,392)	(3,429)	(2,853)
Listing expenses	**–**	(2,289)	(17,146)	(4,214)	–
Profit before tax	**131,803**	100,130	69,829	91,977	57,114
Income tax expenses	**(19,426)**	(15,523)	(12,842)	(13,560)	(7,842)
Profit for the year	**112,377**	84,607	56,987	78,417	49,272
Profit for the year attributable to:					
Owners of the Company	**111,161**	83,970	56,508	78,417	49,272
Non-controlling interests	**1,216**	637	479	–	–
	112,377	84,607	56,987	78,417	78,417

ASSETS AND LIABILITIES

	At 31 December				
	2024[1]	2023[1]	2022[1]	2021[1]	2020[2]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**690,604**	558,045	304,845	225,522	231,472
Total liabilities	**(130,248)**	(109,921)	(106,841)	(84,576)	(63,094)
Total equity	**560,356**	448,124	198,004	140,946	168,378
Equity attributable to					
Owners of the Company	**556,338**	445,332	195,839	140,946	168,378
Non-controlling interests	**4,018**	2,802	2,165	–	–
	560,356	448,124	198,004	140,946	168,378

[1] The financial figures were extracted from the consolidated financial statements in annual reports.

[2] The financial figures were extracted from the Prospectus.