亞東

Yadong Group Holdings Limited
亞東集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1795

ANNUAL REPORT 2024

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Xue Shidong *(Chairman of the Board)*
Mr. Wang Bin
Mr. Xiang Wenbin
Ms. Zhang Yeping
Mr. Jin Rongwei

Independent Non-Executive Directors
Mr. Zhu Qi
Mr. Ho Kin Cheong Kelvin
Mr. Wang Hongliang

Board Committees

Audit Committee
Mr. Ho Kin Cheong Kelvin *(Chairman)*
Mr. Zhu Qi
Mr. Wang Hongliang

Remuneration Committee
Mr. Zhu Qi *(Chairman)*
Mr. Xue Shidong
Mr. Ho Kin Cheong Kelvin

Nomination Committee
Mr. Xue Shidong *(Chairman)*
Mr. Zhu Qi
Mr. Wang Hongliang

Company Secretary

Ms. Li Ching Yi

Authorised Representatives

Mr. Xue Shidong
Ms. Li Ching Yi

Principal Place of Business in the PRC

No. 381 Laodong East Road
Tianning District, Changzhou
Jiangsu Province
China

Headquarters and Principal Place of Business in Hong Kong

7/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office in the Cayman Islands

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
17/F, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

Legal Advisers

as to Hong Kong laws
David Fong & Co.
Solicitors, Hong Kong
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Principal Bank

Jiangnan Rural Commercial Bank

Stock Code

1795

Company Website

www.yadongtextile.com

FINANCIAL SUMMARY

Results

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,078,589**	1,078,628	1,060,218	813,810	771,461
Cost of sales	**(942,134)**	(939,776)	(917,317)	(698,669)	(644,525)
Gross profit	**136,455**	138,852	142,901	115,141	126,936
Profit before tax	**41,976**	44,487	63,301	49,084	56,865
Profit for the year	**37,023**	34,534	49,931	35,167	35,992
Profit attributable to owners of the Company	**37,023**	34,534	49,931	35,167	35,992

Assets and Liabilities

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**864,989**	820,501	768,429	673,106	565,113
Total liabilities	**571,726**	(544,286)	(509,298)	(444,837)	(356,607)
Equity attributable to owners of the Company	**293,263**	276,215	259,131	228,269	208,506

Notes:

(a) The financial figures for the year ended/as at 31 December 2024 were extracted from the consolidated financial statements in this annual report.

(b) The financial figures for the years ended/as at 31 December 2020, 2021, 2022 and 2023 were extracted from the consolidated financial statements in the annual report of the Group for the year ended 31 December 2020, 2021, 2022 and 2023, respectively.

The summary above does not form part of the audited consolidated financial statements.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Yadong Group Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2024.

Results of Operation

In 2024, while the global economic recovery experienced a slowdown, the PRC focused on advancing high-quality development and fostering new productive forces thereby maintaining a favorable growth path. Despite the growth supported by the implementation of a series of policies aimed at expanding domestic demand and promoting consumption, the uncertainties in the macroeconomic environment, in particular the geopolitical instability, have created challenges to the dyeing and finishing industry in the PRC.

During the year, the Group's revenue remained stable at approximately RMB1,078.6 million (2023: approximately RMB1,078.6 million). The Group's gross profit decreased by approximately RMB2.4 million or approximately 1.7% to approximately RMB136.5 million (2023: approximately RMB138.9 million). The gross profit margin of the Group decreased to approximately 12.7% (2023: approximately 12.9%).The Group's profit increased by approximately RMB2.5 million or approximately 7.2% to approximately RMB37.0 million (2023: approximately RMB34.5 million).

Outlook

Going forward, the Group is positive about its prospects for 2025. In terms of sales, the Group will increase its sales and marketing effort in the PRC with the aim of capitalising on business opportunities arising from the revival of domestic demand and expanding its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the geopolitical instability, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. Under such trend, the Group is looking into the feasibility of establishing a presence in Southeast Asia through collaborating with local partners and/or setting up our own production facilities, which will enable the Group to maintain proximity to the production bases of apparel brand customers and benefit from the geographical advantages thereof, thereby obtaining more orders from branded customers. Besides, with the lower production costs in Southeast Asia compared to the PRC, the profitability of the Group is expected to be improved. The Group will closely monitor the demand from different geographical markets and explore suitable opportunities to expand overseas, in an effort to stimulate our long-term growth.

Going forward, the Group will strive to reduce its operating cost and enhance production efficiency and product quality by installing and optimising automation systems in its production process.

Lastly, the Group believes that, with the implementation of its business strategies and the continuous enhancement of its product development capabilities and marketing efforts, it can create long-term values for all shareholders of the Company.

Appreciation

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my heartfelt gratitude to all of our business partners, customers, suppliers and shareholders for their continuous support.

Mr. Xue Shidong
Chairman of the Board
PRC, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

The Group is principally engaged in the design, process and sale of textile fabric products, which can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. These textile fabric products feature a variety of different colours, patterns, textures and functionalities. The Group sells its textile fabric products mainly to garment manufacturers as well as trading companies for further processing into finished garments for apparel brand operators. These textile fabric products are mainly sold or distributed in the PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

Industry Review

In 2024, while the global economic recovery experienced a slowdown, the PRC focused on advancing high-quality development and fostering new productive forces thereby maintaining a favorable growth path. According to the National Bureau of Statistics of China, the gross domestic product of the PRC was RMB134,908.4 billion, representing a year-on-year increase of 5.0%. The total retail sales of consumer goods in the PRC reached RMB48,789.5 billion, representing a year-on-year increase of 3.5% while the total retail sales of apparel, footwear, headwear and knitwear was RMB1,469.1 billion, representing a year-on-year increase of 0.3%.

Despite the growth supported by the implementation of a series of policies aimed at expanding domestic demand and promoting consumption, the uncertainties in the macroeconomic environment, in particular the geopolitical instability, have created challenges to the dyeing and finishing industry in the PRC.

Business Review

During the year, the Group's revenue remained stable at approximately RMB1,078.6 million (2023: approximately RMB1,078.6 million). The Group's gross profit decreased by approximately RMB2.4 million or approximately 1.7% to approximately RMB136.5 million (2023: approximately RMB138.9 million). The gross profit margin of the Group decreased to approximately 12.7% (2023: approximately 12.9%).The Group's profit increased by approximately RMB2.5 million or approximately 7.2% to approximately RMB37.0 million (2023: approximately RMB34.5 million).

Prospect

Stepping into 2025, although the international environment continues to be uncertain, the overall economic landscape of the PRC is expected to experience a further recovery as a result of the policy of the PRC that foster domestic consumption.

Looking ahead, the Group is positive about its prospects for 2025. In terms of sales, the Group will increase its sales and marketing effort in the PRC with the aim of capitalising on business opportunities arising from the revival of domestic demand and expanding its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the geopolitical instability, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. Under such trend, the Group is looking into the feasibility of establishing a presence in Southeast Asia through collaborating with local partners and/or setting up our own production facilities, which will enable the Group to maintain proximity to the production bases of apparel brand customers and benefit from the geographical advantages thereof, thereby obtaining more orders from branded customers. Besides, with the lower production costs in Southeast Asia compared to the PRC, the profitability of the Group is expected to be improved. The Group will closely monitor the demand from different geographical markets and explore suitable opportunities to expand overseas, in an effort to stimulate our long-term growth.

Going forward, the Group will strive to reduce its operating cost and enhance production efficiency and product quality by installing automation systems in its production process.

With its solid reputation, diversified product portfolio, strong product development capabilities and experienced management, the Group is confident that it can enhance its competitiveness and business stature and sustain development, leading ultimately to the delivery of maximum returns to its shareholders over the long term.

Financial Review

Revenue

The revenue of the Group remained stable at approximately RMB1,078.6 million for each of the year ended 31 December 2023 and 31 December 2024.

Cost of Sales

The cost of sales of the Group slightly increased by approximately RMB2.4 million or approximately 0.25% from approximately RMB939.8 million for the year ended 31 December 2023 to approximately RMB942.1 million for the year ended 31 December 2024. Such increase was primarily attributable to the increase in the subcontracting costs during the same period.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB2.4 million or approximately 1.7% from approximately RMB138.9 million for the year ended 31 December 2023 to approximately RMB136.5 million for the year ended 31 December 2024. Such decrease was primarily attributable to the increase in the subcontracting costs during the same period. The gross profit margin of the Group decreased from approximately 12.9% for the year ended 31 December 2023 to approximately 12.7% for the year ended 31 December 2024.

Other Income

Other income of the Group increased from approximately RMB4.9 million for the year ended 31 December 2023 to approximately RMB9.4 million for the year ended 31 December 2024. Such increase was primarily attributable to the increase in rental income of approximately RMB2.0 million during the same period.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased by approximately RMB6.6 million or approximately 22.8% from approximately RMB29.1 million for the year ended 31 December 2023 to approximately RMB35.8 million for the year ended 31 December 2024. Such increase was primarily attributable to the increase in salaries and social insurance contributions for the sales personnel during the same period.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB55.0 million for the year ended 31 December 2023 to approximately RMB56.3 million for the year ended 31 December 2024. Such increase was primarily attributable to the increase in salaries and social insurance contributions for the management personnel during the same period.

Finance Costs

Finance costs of the Group decreased from approximately RMB15.2 million for the year ended 31 December 2023 to approximately RMB11.8 million for the year ended 31 December 2024. Such decrease was primarily attributable to the decrease in interest expense of bank borrowings during the same period.

Income Tax Expenses

Income tax expenses of the Group decreased from approximately RMB10.0 million for year ended 31 December 2023 to approximately RMB5.0 million for the year ended 31 December 2024. Such decrease was primarily attributable to over-provision in respect of prior years.

Profit

As a result of the foregoing, the profit for the year of the Group increased by approximately RMB2.5 million or approximately 7.2% from approximately RMB34.5 million for the year ended 31 December 2023 to approximately RMB37.0 million for the year ended 31 December 2024.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries, associates or associated companies during the year ended 31 December 2024.

Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately RMB15.8 million, which were mainly related to the acquisition of the plant and machinery.

Contingent Liabilities

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

Foreign Exchange Exposure

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk. The Group is also exposed to foreign currency risk which relates principally to its trade receivables, trade and bills payables, other payables and bank balances denominated in foreign currencies other than the functional currency of the relevant Group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.1% (2023: approximately 66.3%).

Liquidity and Financial Resources and Capital Structure

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2024, the Group had bank balances and cash of approximately RMB65.0 million (2023: approximately RMB100.2 million). As at 31 December 2024, the current ratio of the Group was approximately 1.3 times (2023: approximately 1.1 times). Such increase was mainly due to the decrease in bank loans and income tax expense. The financial resources are presently available to the Group including bank borrowings and the net proceeds from the Listing, the Directors believe that the Group has sufficient working capital for the future requirements.

As at 1 January 2024, the Company had an issued share capital of HK$6,000,000 divided into 600,000,000 shares. The Company's shares were successfully listed on the Stock Exchange on 18 November 2020. There has been no change in the capital structure of the Group during the year ended 31 December 2024.

Change in Shareholding Structure

On 7 June 2024, as part of family wealth planning arrangement, Mr. Xue Shidong, the chairman and executive director of the Company transferred his entire shareholding interests in Oriental Ever Holdings Limited, a controlling shareholder of the Company to his son, Mr. Xue Liang, at a nominal consideration (the "**Share Transfer**"). Immediately prior to and upon completion of the Share Transfer, Oriental Ever Holdings Limited remained as a controlling shareholder holding 450,000,000 Shares, representing 75% of the total issued share capital of the Company. For details of the Share Transfer, please refer to the announcement of the Company dated 7 June 2024.

Charge on Assets

The total interest-bearing bank borrowings of the Group amounted to approximately RMB276.4 million as at 31 December 2024 (2023: approximately RMB310.4 million).

As at 31 December 2024, the Group's assets amounted to approximately RMB119.0 million was charged (2023: approximately RMB150.4 million) to secure certain banking facilities for the Group.

	2024 **RMB'000** **(Audited)**	2023 RMB'000 (Audited)
Buildings	**36,621**	38,050
Right-of-use assets	**37,116**	38,564
Investment properties	**45,297**	46,824
Machineries	**—**	26,925
	119,034	150,363

Employees and Remuneration Policies

As at 31 December 2024, the Group had a total of 569 full-time employees (2023: 541). The Group believes that employees are valuable assets that are crucial to the success of the Group. The Group generally pays its employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. For the year ended 31 December 2024, staff costs of the Group amounted to approximately RMB82.8 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

Environmental Policies and Performance

The Group's business is subject to the relevant national and local environmental laws and regulations in China, such as the Environmental Protection Law of the People's Republic of China. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in "Regulatory overview" in the prospectus of the Company dated 30 October 2020 (the "**Prospectus**").

During the year ended 31 December 2024, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: final dividend of HK3.0 cents per share).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out as follows:

Executive Directors

Mr. Xue Shidong (薛士東), aged 62, is the founder of our Group. Mr. Xue was appointed as a Director on 22 September 2016 and re-designated as the chairman of our Board and an executive Director on 22 November 2019. He is mainly responsible for formulating the overall corporate directions, development strategies and business plans and overseeing the operations of our Group.

Mr. Xue had accumulated years of experience in the textile dyeing and finishing industry prior to the forming of our Group in 2011. He currently is a director of each subsidiary of our Group.

Mr. Wang Bin (王斌), aged 54, has joined our Group since April 2016. Mr. Wang was appointed as an executive Director on 22 November 2019. He is mainly responsible for operations and production management of our Group.

From April 1998 to January 2001, he worked for Jiangyin Kangyuan Printing & Dyeing Company Limited (江陰市康源印染有限公司) as a workshop manager. From February 2001 to December 2003, he worked for Changzhou Dongheng Weaving and Dyeing Group Company Limited (常州東恒染織集團有限公司) as a workshop manager. From April 2004 to February 2016, he worked for Changzhou Shengyu Textile Printing and Dyeing Company Limited (常州市盛宇紡織印染有限公司) as the head of production department. In April 2016, Mr. Wang joined our Group and worked as the vice production manager of Yadong (Changzhou) Science & Technology Co., Ltd. ("**Yadong (Changzhou)**"). He currently is a director of Ya Dong (Hong Kong) International Trading Company Limited ("**Yadong (Hong Kong)**") and Yadong (Changzhou).

Mr. Xiang Wenbin (香文斌), aged 47, was appointed as an executive Director on 26 April 2022.

Mr. Xiang has more than 24 years of experience in information technology. From February 2001 to November 2012, Mr. Xiang worked for Tencent Technology (Shenzhen) Co., Ltd.* ("**Tencent Technology**") (騰訊科技(深圳)有限公司), being a subsidiary of Tencent Holdings Limited (stock code: 700), the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, with his last position as a senior management staff of Tencent Technology. Since 2015, Mr. Xiang has acted as the chief executive officer of Shenzhen Shengshi Liuyi Network Technology Co., Ltd.* (深圳市盛世六一網路科技有限公司), which is principally engaged in the development of online games and software and provision of information technology services, and he is primarily responsible for overall business management, strategic planning and daily operation. Since 2018, Mr. Xiang has also been a director of Chengdu Tengyun Yixiang Technology Co., Ltd.* (成都騰雲憶想科技有限公司), which is principally engaged in the provision of information system integration services. Besides, he is currently a director of Tencent Cloud (Chongqing) Intelligent Technology Co., Ltd.* (騰訊雲(重慶)智能科技有限公司), which is principally engaged in the development of software and provision of information technology services.

Ms. Zhang Yeping (張葉萍), aged 55, has joined our Group since March 2014. Ms. Zhang was appointed as an executive Director on 22 November 2019. She is mainly responsible for marketing and sales and customer relationship management of our Group.

Ms. Zhang completed the professional studies in weaving at Jiangsu Changzhou Textile Industry School (江蘇省常州紡織工業學校) in July 1988 and the professional studies in computer information management at Nanjing University (南京大學) in the PRC in July 2001. Prior to joining our Group, Ms. Zhang has worked for Changzhou Dongxia as a sales manager since April 2004. Ms. Zhang has concurrently served as a director and a vice sales manager of Yadong (Changzhou) since March 2014 and January 2015, respectively. Ms. Zhang currently is also a director of Yadong (Hong Kong).

Mr. Jin Rongwei (金榮偉), aged 50, has joined our Group since January 2015. Mr. Jin was appointed as an executive Director on 22 November 2019. He is mainly responsible for procurement and fixed assets management and maintenance of our Group.

From May 2004 to December 2014, he worked for Changzhou Dongxia as the head of electrical and mechanical department. In January 2015, Mr. Jin joined our Group and has been the vice administrative manager of Yadong (Changzhou) since then. He currently is also the supervisor of Yadong (Changzhou).

Independent Non-Executive Directors

Mr. Zhu Qi (朱旗), aged 53, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Zhu obtained a university diploma in economic management from Nanjing Institute of Politics (南京政治學院) in the PRC in June 2007. Since February 2010, he has worked for Changzhou Sheng Rui Tax Advisory Company Limited (常州市升瑞税務師事務所有限公司) as an executive director and general manager. Mr. Zhu was an independent director of Jiangsu Lidao New Material Co., Ltd. (江蘇麗島新材料股份有限公司) (stock code: 603937) from 29 January 2015 to 2 February 2021, the shares of which are listed on the Shanghai Stock Exchange.

Mr. Zhu was admitted as member of The Chinese Institute of Certified Public Accountants in November 2009.

Mr. Ho Kin Cheong Kelvin (何建昌), aged 57, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Ho obtained a bachelor degree of business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in November 1990. From December 2000 to October 2003, he worked for Hanny Magnetics Limited, a subsidiary of Hanny Holdings Limited (currently known as Master Glory Group Limited) (stock code: 0275) at which his last position was financial analyst. From April 2004 to September 2005, he worked for Garron International Limited (currently known as China Investment and Finance Group Limited) (stock code: 1226) as the company secretary and financial controller. From August 2008 to January 2010, he worked for FU JI Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Ltd) (previous stock code: 1175), which was delisted from the Stock Exchange, as company secretary and chief financial officer. From April 2010 to March 2012 and from May 2012 to December 2014, he worked for Greens Holdings Ltd (previous stock code: 1318), which was delisted from the Stock Exchange, at which his last position was company secretary and chief financial officer. From January 2016 to December 2017, he worked for Sand River Golf Club Limited as chief financial officer. From April 2019 to May 2020, he worked for Richly Field China Development Limited (stock code: 0313) as company secretary and chief financial officer. From August 2020 to January 2022, Mr. Ho worked as the company secretary and chief financial officer of HongDa Financial Holding Limited respectively (currently known as China Wood International Holding Co., Limited) (stock code: 1822).

Mr. Ho was an independent non-executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) (stock code: 0199) from October 2001 to May 2003 and a non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822) from April 2016 to April 2017. Mr. Ho was an independent non-executive director of CECEP COSTIN New Materials Group Limited (previous stock code: 2228) from 6 August 2018 to 8 February 2022 and Rosan Resources Holdings Limited (previous stock code: 0578) from 1 July 2020 to 1 November 2022, both were delisted from the Stock Exchange. Since 5 August 2020, he has been an independent non-executive director of Green Leader Holdings Group Limited (stock code: 0061), the shares of which are listed on the Stock Exchange. Since 22 October 2020, he has been an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (stock code: 2126), the shares of which are listed on the Stock Exchange. Since 21 April 2021, he has been an independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (stock code: 2235), the shares of which are listed on the Stock Exchange.

Mr. Ho was admitted as an associate member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in June 1997 and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom in April 2002.

Mr. Wang Hongliang (王洪亮), aged 52, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Wang obtained a bachelor degree in law from Northwest University of Political Science and Law (西北政法大學) in the PRC in July 1995. He subsequently obtained a master degree and a doctoral degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1998 and July 2001, respectively. He obtained a doctoral degree in law from Albert Ludwig University of Freiburg in Germany in July 2004. Since October 2004, he has worked for School of law of Tsinghua University and currently is a professor. From June 2016 to March 2021, Mr. Wang had been an independent director of CITIC Guoan Information Industry Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000839). From January 2020 to January 2023, Mr. Wang had been an independent director of Guangxi Wuzhou Zhongheng Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600252). From October 2018 to December 2024, Mr. Wang has been an independent director of Inner Mongolia First Machinery Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600967).

Senior Management

Mr. Lu Jigang (魯積剛), aged 53, is the head of our technical department. He is mainly responsible for overseeing textile dyeing, printing and finishing processes of our Group in the PRC.

Mr. Lu completed the professional studies in dyeing works at Hubei Textile Industrial School (湖北省紡織工業學校) in July 1992. From March 2006 to December 2014, he worked for Changzhou Dongxia as the head of technical department. In January 2015, Mr. Lu joined our Group and has worked as the head of technical department of Yadong (Changzhou) since then.

Ms. Zhou Jie (周潔), aged 48, is the head of our administration department. She is mainly responsible for overseeing the administration and human resources management of our Group.

Ms. Zhou attended the Chinese Trainee Senior Technical Institute (中國研修生高等技能學院) in Japan between 1999 and 2002. From June 2007 to December 2011, she worked for Changzhou Mingqi Garment Company Limited* (常州茗企服飾有限公司) as a manager. From February 2012 to December 2014, she worked for Changzhou Dongxia as a management associate. In January 2015, Ms. Zhou joined our Group and has worked as the head of administration department of Yadong (Changzhou) since then.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2024.

Principal Business

Our Group principally engage in the design, process and sale of textile fabric products. Our textile fabric products can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. Our textile fabric products feature a variety of different colours, patterns, textures and functionalities. We sell our textile fabric products mainly to garment manufacturers as well as trading companies. To the best of our knowledge, during the year ended 31 December 2024, most, if not all, of our textile fabric products were purchased by our customers for further processing into finished garments for apparel brand operators. During the year ended 31 December 2024, our textile fabric products were mainly sold or distributed in the PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

Results

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements on pages 97 to 162 of this annual report.

Dividends Distribution

The Company has adopted a dividend policy (the "**Dividend Policy**") on 21 October 2020. The Company currently does not have any predetermined dividend payout ratio. The Board shall take into account the followings when proposing any dividend payout as written in the Dividend Policy:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate.

In accordance with the articles of association of the Company (the "**Articles of Association**"), dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024.

Tax Relief and Exemption

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

Annual General Meeting

The AGM will be held on Thursday, 26 June 2025. The notice of the AGM will be published and despatched to the Shareholders in due course in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 23 June 2025 to Thursday, 26 June 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified to attend and vote at the AGM, all completed transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 20 June 2025.

Business Review

A fair review of the business and a discussion and analysis of the Group's performance during the year ended 31 December 2024 and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Management Discussion and Analysis" on pages 7 to 11 of this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2024, if any, can also be found in the notes to the consolidated financial statements in this annual report.

In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Management Discussion and Analysis" of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of Directors.

Environmental Policy

With an aim to improve our sewage treatment efficiency, uphold our values in maintaining an environmentally friendly manufacturing process, and reduce our sewage treatment fees, we carried out technical upgrade of our on-site sewage treatment system. Such technical upgrade mainly involved the acquisition of sewage treatment equipment and upgrade of technology. Such upgrade of our sewage treatment system had not caused any major interruption to our operations and production. As advised by our Directors, our business operations have had no significant adverse impact on the surrounding environment during the year ended 31 December 2024, which our Directors believe is mainly attributable to the implementation of the aforesaid environmental policies and measures and the effectiveness of the continuous technical upgrade carried out to our on-site sewage treatment system and our adherence to our environmental policies and measures.

Financial Summary

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

Compliance with Laws and Regulations

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, 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 Company and its subsidiaries during the year ended 31 December 2024.

Relationship with Stakeholders

Employees

As at the date of this annual report, we had a total of 569 employees, of which 565 were based in the PRC and 4 were based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

We have a labour union to protect our employees' interest and benefits, assist us in attaining our economic objectives, encourage employees to participate in management decisions and assist us in resolving disputes, if any, with the union members.

We generally enter into employment contracts with each of our employees covering matters such as wages, employee benefits, employment scope and grounds for termination. We also enter into confidentiality and non-compete agreements with members of our senior management, personnel responsible for the design and development activities and/or other employees who have access to secrets or confidential information of our Group.

Our employees undergo internal training to enhance, among others, their technical skills, knowledge of industry quality standards, procedures and protocols relating to quality control, environmental protection, production safety, occupational health and safety standards and the applicable laws and regulations.

We believe that we have maintained a good working relationship with our employees. We do not outsource our labour services. During the year ended 31 December 2024 and up to the date of this annual report, we did not experience any major labour disputes with our employees, disruption to our operations due to labour disputes, work stoppages or strikes, or work safety-related incidents that led to disruptions in our Group's operations, or receive any notices or orders from relevant government authorities or third parties, or receive any claims from our employees.

Customers

Our customers purchasing our textile fabric products principally consisted of garment manufacturers as well as trading companies. Our customers were mainly textile manufacturers and trading companies. We have established stable relationships with our major customers.

We have established good business relationships with some apparel brand operators that are internationally or nationally well-known. Some of our customers (including major customers) are the designated garment manufacturers or the designated trading companies of apparel brand operators who procure raw materials from us at the instructions of such apparel brand operators.

For the year ended 31 December 2024, the Group's sales to its five largest customers accounted for 25.6% of the Group's total sales and sales to the largest customer accounted for 6.7%.

Suppliers

The principal raw materials for our production process comprise two broad categories, namely (i) greige fabrics; and (ii) textile dyes and additives such as colourants and dyeing auxiliaries. We purchase our raw materials from local suppliers in the PRC. Our principal raw materials are available from a large number of local suppliers and we have more than one supplier for each type of raw material to reduce reliance on any single supplier.

We consider that it is commercially beneficial to maintain a stable and close business relationship with our suppliers. We have maintained stable business relationships with our top five suppliers during the year ended 31 December 2024.

While it is our strategy to concentrate our purchases of raw materials from a few reliable suppliers so as to ensure the quality and reliability of our raw materials, we generally obtain price quotations from at least three potential suppliers and compare the pricing and terms offered by such suppliers before we place our purchases. We also maintain a list of readily available alternative suppliers for each type of raw materials to reduce over-reliance on any one supplier and to avoid having any disruptions to our supply of raw materials. To avoid any reliance on any one supplier, it is our policy that we generally will not procure from any one single supplier for more than 30% of our total purchasing needs at any one time.

Since 2018, we had been engaging a supplier (a group of companies whose holding company is listed on the Stock Exchange and whose permitted scope of business includes the manufacturing and sales of yarns, greige fabrics, garment fabrics as well as garments, with production facilities located in the PRC and Vietnam) as a supplier to supply the raw materials and manufacture the textile fabric products. Such supplier sources raw materials on its own and manufactures textile fabric products in accordance with our specifications.

For the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for 59.4% of the Group's total purchases and purchases from the largest supplier accounted for 23.2%.

Save as disclosed in this annual report, during the year ended 31 December 2024, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Company's five largest customers and suppliers.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements.

As at 31 December 2024, the issued share capital of the Company was 600,000,000 Shares.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out in note 42(c) to the consolidated financial statements.

Distributable Reserves

As at 31 December 2024, pursuant to the relevant laws and regulations, the Company has distributable reserves of RMB267.4 million in total available for distribution.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company as at 31 December 2024 are set out in note 28 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 15 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Directors and Senior Management

The Directors and senior management of the Company during the year ended 31 December 2024 and up to the date of this annual report are set out below:

Name	Position in the Company
Directors	
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Xiang Wenbin	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang	Independent non-executive Director
Senior management	
Mr. Lu Jigang	Head of technical department
Ms. Zhou Jie	Head of administration department

To the best of the Board's knowledge, information and belief, the Directors and senior management do not have any relationship amongst them.

In accordance with article 84(1) of the Articles of Association, Mr. Xue Shidong, Mr. Xiang Wenbin and Mr. Jin Rongwei will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the AGM.

None of the retiring Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Biographical details of the Directors and senior management are set out on pages 12 to 15 of this annual report.

Directors' Service Contracts and Appointment Letters

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service agreement with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company. The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has or is proposed to have a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

On 7 June 2024, as part of family wealth planning arrangement, Mr. Xue Shidong, the chairman and executive director of the Company transferred his entire shareholding interests in Oriental Ever Holdings Limited, a controlling shareholder of the Company to his son, Mr. Xue Liang, at a nominal consideration (the "**Share Transfer**"). Immediately prior to the Share Transfer, Mr. Xue Shidong was the sole director and sole shareholder of Oriental Ever Holdings Limited, which in turn held 450,000,000 Shares, representing 75% of the total issued share capital of the Company. Immediately upon completion of the Share Transfer, Mr. Xue Liang is deemed to be interested in 450,000,000 Shares, representing 75% of the total issued share capital of the Company, in place of Mr. Xue Shidong. For details of the Share Transfer, please refer to the announcement of the Company dated 7 June 2024.

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

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2024, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held(1)	Approximate percentage of shareholding interest in the Company (%)(1)
Oriental Ever Holdings Limited	Beneficial interest	450,000,000 (L)	75%
Mr. Xue Liang	Interest in a controlled corporation(2)	450,000,000 (L)	75%

Notes:

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

(2) Oriental Ever Holdings Limited, which is owned as to 100% by Mr. Xue Liang, directly held 450,000,000 Shares. By virtue of the SFO, Mr. Xue Liang was deemed to have an interest in the Shares held by Oriental Ever Holdings Limited.

Save as disclosed above, as at 31 December 2024, the Company had not been notified by any other persons (other than the Directors) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2024, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Issuance of Debentures

During the year ended 31 December 2024, no issuance of debentures was made by the Company.

Directors' and Controlling Shareholders' Interests in Competing Businesses

To the knowledge of the Board, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2024.

Further, Oriental Ever Holdings Limited (東永控股有限公司), a controlling shareholder of the Company, and Mr. Xue Shidong, the executive Director and a controlling shareholder of the Company (collectively, the "**Controlling Shareholders**") have entered into a deed of non-competition in favour of the Company (for itself and as trustee for the benefit of each of its subsidiaries) on 21 October 2020 (the "**Deed of Non-competition**"), under which the Controlling Shareholders have undertaken to the Company that they will not, and will procure that none of their respective close associates (other than members of our Group) will, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, partnership, joint venture or other contractual arrangement, among other things, carry on, participate or be interested, engaged, concerned or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently engaged by the Group, and any other new business which the Group may undertake from time to time after the Listing (the "**Restricted Business**"), provide support in any form to persons or entities (other than members of our Group) to engage in the restricted business and where they become aware of such engagement of the Restricted Business they shall notify our Company in writing immediately. For details of the Deed of Non-competition, please refer to "Relationship with Controlling Shareholders — Non-competition Undertakings" in the Prospectus.

The independent non-executive Directors have reviewed the compliance with non-competition undertaking by the Controlling Shareholders under the Deed of Non-competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2024. Each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition.

Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2024 are set out in note 37 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2024 or at the end of the year ended 31 December 2024.

Controlling Shareholders' Interests in Contract of Significance

No contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2024.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

Directors' Permitted Indemnity Provision

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended 31 December 2024.

Except for such insurances, at no time during the year ended 31 December 2024 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

Staff, Emolument Policy and Directors' Remuneration

As of the date of this annual report, we had a total of 569 employees, of which 565 were based in the PRC and 4 were based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2024 are set out in notes 11 and 12 to the consolidated financial statements.

The table below shows the emolument of senior management by band for the year ended 31 December 2024:

Emoluments bands in Hong Kong Dollars (“HK$”)	Number of Individuals
Nil to HK$1,000,000	1

Share Option Scheme

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 October 2020 (the “**Adoption Date**”).

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(a) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(b) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the highest of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(c) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(d) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the date of this annual report. Therefore, it is expected that our Company may grant options in respect of up to 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) representing 10% of Share in issue as at the date of this annual report, to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(e) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(f) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(g) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof. As at 31 December 2024, the remaining life of the Share Option Scheme is approximately five years and nine months.

(h) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the year ended 31 December 2024, no share option was granted, exercised, lapsed or cancelled.

Equity-Linked Agreements

Save as disclosed in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended 31 December 2024.

Charitable Donations

There was no donation made by the Group during the year ended 31 December 2024.

Purchase, Sale or Redemption of Listed Securities

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

Use of Net Proceeds from Listing

The net proceeds from the Listing received by the Company, after deducting the underwriting commissions and expenses paid by the Company, are approximately HK$81.9 million (the "**Net Proceeds**"). As disclosed in the annual results announcement of the Company for the year ended 31 December 2023, the Net Proceeds had been fully utilised.

Compliance with the Corporate Governance Code

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 42 of this annual report.

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), together with the management and the external auditor, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's consolidated financial statements for the year ended 31 December 2024.

Auditor

The consolidated financial statements of the Group for the ended 31 December 2024 have been audited by SHINEWING (HK) CPA Limited.

SHINEWING (HK) CPA Limited shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

The auditor of the Company has not changed in the past four years.

On behalf of the Board
Mr. Xue Shidong
Chairman of the Board
PRC, 28 March 2025

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Since the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules and complied with the applicable code provisions during the year ended 31 December 2024, except for deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

Board of Directors

The Board is in charge with promoting the success of the Company by overseeing the Group's businesses, strategic decisions and performance as well as aligning the Company's culture and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three independent non-executive Directors. The Directors of the Company during the year and as at the date of this Annual Report are listed as follows:

Name	Position in the Company
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Xiang Wenbin	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang	Independent non-executive Director

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. However, the Company at present does not have a chief executive officer. The chairman of the Company is Mr. Xue Shidong.

The overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels and the Board believes that the current management structure enables effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Independent Non-Executive Directors

Since the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this annual report.

Independent View

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. All Directors may also obtain independent professional advice at the Company's expense for carry out their functions.

Appointment and Re-election of Directors

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service contract with the Company for a term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors was engaged on a letter of appointment for a term of three years commencing from the Listing Date and shall be subject to retirement by rotation once every three years.

All executive Directors and independent non-executive Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to the Articles of Association, at each annual general meeting of the Company 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 and be eligible for re-election, provided that every Director is subject to retirement at least once every three years. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, the Company distributed training materials prepared by the legal advisers for all Directors. The training materials covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

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

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/ or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/ or corporate governance
Executive Directors		
Mr. Xue Shidong	√	√
Mr. Wang Bin	√	√
Mr. Xiang Wenbin	√	√
Ms. Zhang Yeping	√	√
Mr. Jin Rongwei	√	√
Independent non-executive Directors		
Mr. Zhu Qi	√	√
Mr. Ho Kin Cheong Kelvin	√	√
Mr. Wang Hongliang	√	√

Board Committees

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee comprises three members, including three independent non-executive Directors, namely Mr. Ho Kin Cheong Kelvin, Mr. Zhu Qi and Mr. Wang Hongliang. Mr. Ho Kin Cheong Kelvin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2024, the Audit Committee held three meetings, during which the Audit Committee reviewed the Group's annual results and report for the year ended 31 December 2023 and the Group's unaudited interim results and report for the six months ended 30 June 2024, and discussed significant issues on the financial reporting, operational and compliance controls and the effectiveness of the risk management and internal control systems and internal audit function of the Group.

The Audit Committee also met with the external auditors without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Zhu Qi and Mr. Ho Kin Cheong Kelvin and one executive Director, namely Mr. Xue Shidong. Mr. Zhu Qi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (as amended from time to time).

During the year ended 31 December 2024, the Remuneration Committee held one meeting, during which matters such as the remuneration packages of the Directors, the remuneration package of the new director and other related matters were discussed.

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Mr. Xue Shidong and two independent non-executive Directors, namely Mr. Zhu Qi and Mr. Wang Hongliang. Mr. Xue Shidong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and diversity required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for Board members, and assessing the independence of independent non-executive Directors.

During the year ended 31 December 2024, the Nomination Committee held one meeting, during which matters such as structure, size and composition of the Board, and the appointment of new director were discussed. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

In accordance with the Articles of Association, Directors shall be elected by the general meeting with a term of three years and may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

At the expiry of a Director's term, the Director may stand for re-election and re-appointment for further term. Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the Shareholders may dismiss by ordinary resolution any Directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of Board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the general manager), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

Board Diversity Policy and Nomination Policy

The Board has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board has also adopted the nomination policy (the "**Nomination Policy**") which sets out the nomination procedures for selecting candidates for election as Directors. The policy is adopted by the Board and administered by the Nomination Committee.

Selection of Board candidates shall be based on amongst others, character and integrity, qualifications, willingness to devote adequate time and a range of diversity perspectives with reference to the Company's business model and specific needs.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company should also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprised seven male Directors and one female Director, providing the Board with a direct and diversified channel of the opinion from both genders. In addition, the Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and effective leadership, taking into account the extensive experience, skills and knowledge of each Director and the balanced mix of five executive Directors and three independent non-executive Directors.

The Board is of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the Board.

The Nomination Committee will review the implementation and effectiveness of the Board Diversity Policy and the policy for the nomination of directors on an annual basis.

Workforce Diversity

The Group follows the principles of openness and equality and does not discriminate against applicants on the basis of gender, race, age, religious beliefs, and other factors. The Group actively promotes diversity in the workforce and encourages the employment of employees from all backgrounds. The Group has established systematic external and internal recruitment management process to ensure the quality of recruitment and select qualified and outstanding talents.

As at 31 December 2024, the gender ratio in the workforce (including senior management) is 68% (male): 32% (female). For further details of gender ratio together with the relevant data, please refer to the section headed “4.1 Responsible Employment and Safety Assurance” under the Environmental, Social and Governance Report.

Corporate Governance Functions

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

During the year ended 31 December 2024, the Board had reviewed the Company’s policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company’s compliance with the CG Code and the disclosure in this Corporate Governance Report.

Board Meetings and Directors’ Attendance Records

Since the Listing Date, the Company had adopted the practice of holding Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the year ended 31 December 2024 are set out below:

	Attendance/Number of Meeting(s)				
Name of Directors	**Board meeting(s)**	**Audit Committee Meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors					
Mr. Xue Shidong	4/4	N/A	0/1	1/1	1/1
Mr. Wang Bin	4/4	N/A	N/A	N/A	1/1
Mr. Xiang Wenbin	4/4	N/A	N/A	N/A	1/1
Ms. Zhang Yeping	4/4	N/A	N/A	N/A	1/1
Mr. Jin Rongwei	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Zhu Qi	4/4	3/3	1/1	1/1	1/1
Mr. Ho Kin Cheong Kelvin	3/4	3/3	1/1	N/A	1/1
Mr. Wang Hongliang	4/4	3/3	N/A	1/1	1/1

Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control and risk management systems cover, among others, corporate governance, operations, management, legal matters, finance and auditing. We engaged an independent internal control consultant (the "**Internal Control Consultant**") to review our internal control system and we have implemented and will continue to implement the relevant suggestions they proposed/propose. The Internal Control Consultant also performed a review of the adequacy and effectiveness of the risk management and internal control systems over our major business processes.

We have adopted and implemented the recommendations provided by the Internal Control Consultant and the Internal Control Consultant has not identified any material findings which may have material impact on the effectiveness of our internal control system.

Based on the result of the Internal Control Review, the Board, as supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Whistleblowing Policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Inside Information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2024.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

Directors' Responsibility in Respect of Financial Statements

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Auditor's Remuneration

The total fee paid/payable to the external auditors of the Company, SHINEWING (HK) CPA Limited and its affiliated firm, in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Category of services	**Fee paid/ payable** RMB'000
Audit services	1,027
Non-audit services	—
Total	1,027

Note: Non-audit services included mainly the service of agreed upon procedures performed on the Group's interim results.

Company Secretary

Ms. Li Ching Yi has been appointed as the Company Secretary of the Company with effect from 30 March 2023.

Ms. Li is a senior manager of the Listed & Fiduciary Corporate Services Department of Trident Corporate Services (Asia) Ltd.. She has over 10 years of professional experience in company secretarial field. She is currently a joint company secretary of Laopu Gold Co., Ltd. (老鋪黃金股份有限公司) (Stock code: 6181), Yidu Tech Inc. (醫渡科技有限公司) (stock code: 2158), Pop Mart International Group Limited (泡泡瑪特國際集團有限公司) (stock code: 9992), Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司) (stock code: 6669), 3D Medicines Inc. (stock code: 1244) and Sipai Health Technology Co., Ltd. (思派健康科技有限公司) (stock code: 0314), all of which are listed on the Stock Exchange.

Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She obtained a bachelor's degree in social sciences in October 2011 from Lingnan University in Hong Kong and a master's degree in professional accounting and corporate governance in July 2015 from City University of Hong Kong in Hong Kong.

The primary contact person of Ms. Li at the Company is Mr. Xue Shidong, chairman of the Board and executive Director.

During the year ended 31 December 2024, Ms. Li has undertaken not less than 15 hours of relevant professional training.

Communications with Shareholders and Investors

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

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website (www.yadongtextile.com), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

Shareholders' Communication Policy

The Shareholders' Communication Policy aims to set out the provisions which ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyse the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

During the Period, the Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including the multiple communication channels for the Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' Communication Policy has been properly implemented and effective.

Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

Article 58 of the Articles of Association provides that any one or more members holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting to be held two months after the deposit of such requisition, the requisitionist(s) themselves may convene the general meeting 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 them by the Company.

Procedures for shareholders to propose a person for election as a director

For proposal of a person for election as Director, pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Base on this, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at 7/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The notice must (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Act of the Cayman Islands putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	No. 381 Ladong East Road Tianning District, Changzhou Jiangsu Province China (For the attention of the Board)

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

Change in Constitutional Documents

During the year ended 31 December 2024, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the fifth Environmental, Social and Governance ("**ESG**") report issued by Yadong Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**", "**we**", "**us**"), which aims to disclose our approach to sustainability management and related performance in 2024. This report has been reviewed and approved by the board of directors of the Group (the "**Board**") on 28 March 2025.

Reporting Standards and Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and follows the reporting principles of "materiality", "quantitative", "balance" and "consistency", as well as the "mandatory disclosure" and "comply or explain" provisions of the guide. Unless otherwise stated, the amounts in this report are in RMB.

Reporting Scope

Unless otherwise stated, this report focuses on the disclosure of the impact of the core business of the Group on the environment and society, the management approach and performance, and the subject area is Yadong Group Holdings Limited. Yadong (Changzhou) Science & Technology Co., Ltd. ("**Yadong (Changzhou)**") is the key operating entity of the Group in China, and the major environmental and social impacts of the Group are caused by Yadong (Changzhou). The Reporting Period is from 1 January 2024 to 31 December 2024 (the "**Reporting Period**", the "**Year**").

Feedback

This report has been published in both Traditional Chinese and English. In case of any discrepancies between the Traditional Chinese version and the English version, the Traditional Chinese version will prevail. The electronic copy of this report is available on the Group's website at http://yadongtextile.com for download and reading.

Sustainable Development Governance

Board Statement

The Board of the Group is the highest responsible and decision-making organisation for the Group's ESG affairs, and is responsible for co-ordinating and managing the Group's ESG governance work, and ensuring that the Group's development strategies and management in ESG are effectively implemented.

During the Reporting Period, the Board undertook the following roles and responsibilities in relation to ESG:

- Guide and approve the ESG implementation plan and overall objectives, and to ensure that they are aligned with the Group's overall strategy and long-term development goals;

- Review and approve the nature and extent of the Group's risks (including ESG-related risks), establish and review the Group's risk management and internal control systems through the Audit Committee, and report regularly to stakeholders on risk identification and management;

- Responsible for the overall scrutiny and oversight of ESG materiality issues to ensure effective management of relevant issues in the Group's operations;

- Assess the ESG performance on a regular basis to ensure that the Group's goals in the areas of environmental protection, social responsibility and corporate governance are effectively implemented.

ESG Governance Structure

The Group is committed to continuously improving the ESG governance structure, clarifying the management responsibilities and processes in ESG matters at all levels, and enhancing the Group's governance level in ESG.

Roles and Responsibilities

Board:

As the highest level of decision making, it is responsible for final approval and decision making on ESG related matters.

Audit Committee:

Responsible for oversight of ESG related risks and evaluating the effectiveness of the risk management system.

ESG Committee:

Under the guidance of the Board and the Audit Committee, it is responsible for overseeing the management and implementation of the Group's day-to-day ESG issues.

ESG Working Group:

Responsible for the Group's day-to-day implementation of ESG issues, and is required to report regularly to the ESG Committee on the progress of its work and make recommendations for decision-making, so as to ensure the continuous promotion of ESG goals. The subsidiaries also have a Safety and Environment Department, which is responsible for environmental monitoring and safety management.

ESG Pillars of the Group

The Group's sustainability vision is to protect the environment where we operate, create long-term value for our shareholders, actively cooperate with national policies and fulfil our legal obligations to create a sustainable future and a better life for our communities. We have developed the Group's ESG pillars around the environmental and social dimensions and aligned them with the United Nations' Sustainable Development Goals ("**SDGs**") to help realise the Group's sustainability vision.

Pillar	Alignment to SDGs		Our Objectives
Green Production	6.4	**Significantly improve water use efficiency**	• Adoption of optimised water conservation technologies to promote maximum utilisation of water resources • Increase the use of renewable energy to enhance energy efficiency and reduce carbon emissions • Optimise packaging materials, promote the use of recycled materials and reduce resource wastage • Remove major environmental incidents and conduct regular risk tests
	7.2	**Significantly increase the proportion of renewable energy use**	
	12.5	**Significant reduction in waste generation through prevention, reduction, recovery and reuse**	
	13.1	**Strengthened capacity of countries to withstand and adapt to climate-related and natural disasters**	
Responsible Operation	9.b	**Enhancing technology development, research and innovation**	• Promoting circular economy and breakthrough technologies to enhance economic dynamics • Practise and strictly adhere to business ethics and prevent corrupt and bribery practices
	16.5	**Substantial reduction of all forms of corruption and bribery**	
Employee Care	3.8	**Realise universal health coverage, including financial risk protection and access to quality primary health care for all**	• Providing more job positions with higher stability • Planning for comprehensive employee welfare protection to safeguard the rights and interests of labourers • Conducting safety drills and enhancing risk testing • Ensure no major safety incidents
	8.6	**Reduce the proportion of young people not in employment and not in education or training**	
Give Back to Society	1.5	**Enhance the resilience of the poor and the vulnerable to disasters and reduce their probability of and vulnerability to extreme weather events and other economic, social and environmental shocks and disasters**	• Caring for the rights and interests of community residents and strengthening community solidarity • Promote public donations and maintain social contributions

ESG Risk Management

The Group is committed to establishing a comprehensive and effective risk management system to identify, assess, monitor and control various ESG-related risks. To this end, the Group has formulated the "Risk Assessment Management Measures" and incorporated ESG risks into its risk management system to ensure effective risk management and control in terms of organisational structure and management processes.

First line of defence

Various departments of the Company:

- Each department is responsible for identifying and managing the risks associated with its business area. Based on the risk assessment plan of the internal control department, each department works with the internal management project team to identify and analyse business process risks and determine the corresponding risk response plan.

Second line of defence

Finance Department and Audit Committee under the Board:

- The Finance Department is responsible for overseeing and evaluating the effectiveness of risk management efforts across departments and business units. The results of these evaluations are presented directly to the Board or its Audit Committee.
- The Audit Committee assists the Board in providing leadership to management and overseeing the design, implementation and monitoring of risk management and internal control systems.

Third line of defence

The Board:

- The Board has overall responsibility for assessing and determining the nature and extent of risks that the Group is willing to assume.

Risk System of Yadong Group

According to the nature of business, the ESG risks identified by the Group mainly include environmental risks, climate risks, fraud risks and legal risks. In accordance with the principles of consistency between business strategy and risk strategy, and balancing risk control with operational efficiency and effectiveness, the Group has formulated internal control solutions to address ESG risks in a timely manner, and formulated full-process control measures covering all aspects of the management and business processes involved in significant risks, so as to further strengthen the ESG risk control capability and management effectiveness.

Environmental Risks

Risks arising from changes in the objective environment, such as changes in policies and regulations, changes in consumer habits and fluctuations in raw material prices.

Climate Risks

Climate change-related risks, such as acute and chronic physical risks; transformation risks include policy risks, legal risks, technology risks, market risks and reputation risks.

Fraud Risks

Obtaining an unfair or improper advantage by intentional conduct.

Legal Risks

Failure to fully and seriously implement national laws, regulations and policy requirements as well as the requirements of the securities regulatory authorities of the listing place, and factors affecting the achievement of the compliance targets.

Assessment on Materiality Issues

Stakeholder Engagement

The Group actively maintains communication with various stakeholders through diversified channels to understand the impact of the Group's operations on their decision-making process and how ESG issues affect the Group's operations in order to identify substantive issues for the Group. The issues of interest to various stakeholders and the channels through which we communicate with them are set out below:

Major Stakeholders	Concerns and Expectations	Communication Channels
Shareholders/Investors	▪ Earnings and returns ▪ Compliance operation ▪ Information transparency ▪ Risk management and control	▪ Annual and regular financial reports ▪ General meeting ▪ Roadshow
Customers	▪ Quality and safety of products and services ▪ Protection of consumers' rights and privacy ▪ Responsible marketing	▪ The Group's official website ▪ Customer communication meetings
Employees	▪ Equal employment and rights protection ▪ Remuneration and benefits ▪ Occupational health and safety ▪ Development and training	▪ Employee satisfaction survey ▪ Labour-management consultation meeting ▪ Complaint hotline ▪ Anonymous mailbox
Suppliers and Partners	▪ Sustainable supply chain management ▪ Fair competition	▪ Pre-production communication meeting ▪ On-site assessment communication
Government and Regulators	▪ Compliance with national laws and regulations ▪ Economic performance ▪ Conservation of ecosystem	▪ Regular communication ▪ Official website ▪ Annual report
Industry Associations and Non-Governmental Organisations	▪ Innovation in research and development ▪ Promotion of industrial development	▪ Participation in industry forums ▪ Exchange inspection and visits
Media	▪ Conservation of ecosystem ▪ Labour standards ▪ Consumers' rights	▪ Press conference ▪ Media announcement ▪ Interviews
Community and Public	▪ Support to community public welfare ▪ Protection of the community environment	▪ Official website ▪ Community co-development activities

Evaluation Process and Results

The Group develops ESG issues that have a significant impact on the Group and its stakeholders through the process of identifying, ranking, recognising and reviewing ESG issues as an important entry point to achieve the Group's goal of promoting sustainable development.

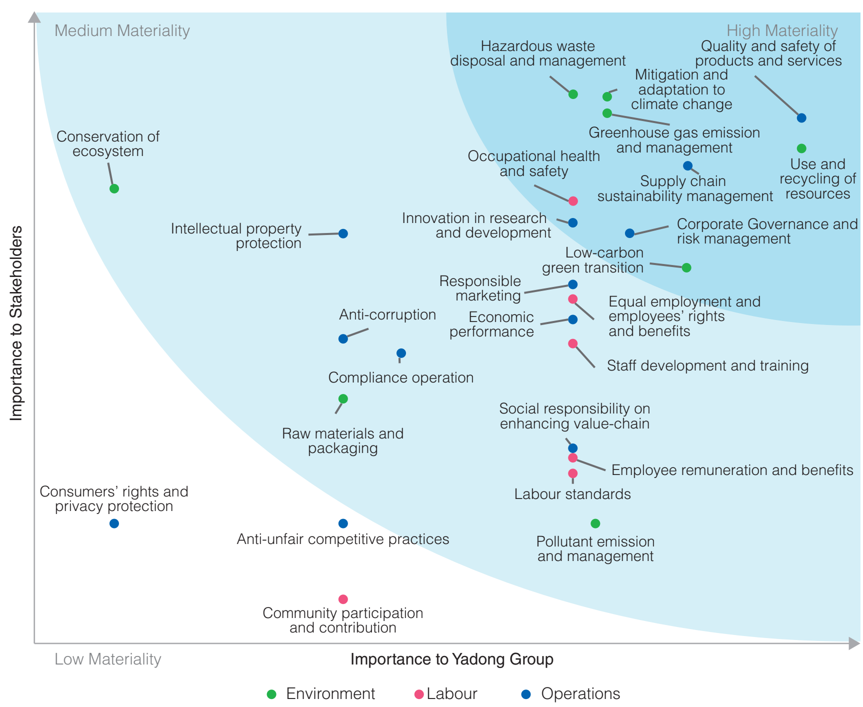
Identifying
- Integrate relevant ESG issues with reference to the latest ESG megatrends and peer analysis

Ranking
- Invite stakeholders to conduct surveys to collect their advise for rating and ranking each issue to identify materiality issues

Recognising
- The Board reviews on the results and determines the materiality issues

Reviewing
- Review the assessment process of materiality topics and seek room for improvement

After reviewing the results of the previous assessment of substantive issues by the Board of the Group, the materiality of the issues was ranked according to the dimensions of "Importance to Yadong Group" and "Importance to Stakeholders", the results of which are visualised as the following matrix of materiality issues.



2024 Materiality Matrix of Yadong Group

Aspects	Material issues	Relevant section
ENVIRONMENTAL	Hazardous waste disposal and management	Green Production — Waste Management
	Mitigation and adaptation to climate change	Green Production — Response to Climate Change
	Greenhouse gas emission and management	Green Production — Response to Climate Change
	Use and recycling of resources	Green Production — Sustainable Management of Resources
	Low-carbon green transition	Green Production — Response to Climate Change Green Production — Green Factory Construction
GOVERNANCE	Quality and safety of products and services	Responsible Operation — Quality Assurance
	Supply chain sustainability management	Responsible Operation — Supply Chain Management
	Corporate Governance and risk management	Sustainable Development Governance — ESG Risk Management
	Innovation in research and development	Responsible Operation — R&D Innovation
SOCIAL	Occupational health and safety	Employee Care — Safety and Health

Green Production

Response to Climate Change

The Group is well aware of the potential risks and opportunities of climate change on its business operations and supply chain, and continues to optimise its management strategies to enhance the Group's competitiveness in a low carbon economy. With reference to the International Financial Reporting Standard S2 — Climate Related Disclosures ("**IFRS S2**") issued by the International Sustainability Standards Board ("**ISSB**"), the Group promotes climate change management at four levels, namely, governance, strategy, risk management, and metrics and targets.

Governance

In response to the challenge of climate change, the Group has established a comprehensive climate governance framework: the ESG Committee is responsible for formulating the Group's climate change strategy and overseeing the implementation of the policy to ensure consistency between the strategy and the overall objectives, while the ESG Working Group is responsible for implementing the strategy, guiding the implementation of action plans by each department and facilitating cross-departmental co-operation. Through the strategic leadership of the ESG Committee and the collaboration of the ESG Working Group, the Group has established a top-down management system to enhance the Group's resilience to climate change.

ESG Committee

- **Risk Integration:** Integrate climate change risks into the Company's risk management system to ensure that these risks are comprehensively identified and assessed
- **Strategic Oversight:** Develop and oversee the implementation of climate change related strategies and action plans to guide the Company in addressing the challenges an opportunities brought about by climate change
- **Ongoing Evaluation:** Regularly evaluate and review climate governance initiatives, including monitoring implementation progress, evaluating effectiveness, and making strategic adjustments based on the latest climate science and policy developments

ESG Working Group

- **Comprehensive Management:** Responsible for the comprehensive management of climate change related businesses to ensure effective implementation of strategies and action plans
- **Implementation Guidance:** Provide guidance and support to ESG-related departments in production operations to ensure that the climate change strategy is consistently implemented in all departments and business units
- **Departmental Collaboration:** Promote communication and collaboration among different departments to strengthen the cross-departmental implementation of climate change management measures

Strategy

The Group has identified the risks and opportunities associated with climate change and formulated strategies to cope with climate change from the perspectives of mitigating climate change and adapting to climate change, and integrated climate strategies into the operation and management of the business in order to minimise climate risks and capture transformation opportunities.

Identifying Climate-related Risks and Opportunities

Type of Risk	Climate-related Risks	Potential Financial Impact	Response Strategy
Physical Risks			
Acute risks	• Extreme weather events such as floods and hurricanes	• Lower revenues: declining or interrupted production capacity • Increased costs: increased costs due to infrastructure damage	• Regular maintenance of equipment, factories and office buildings to enhance their resilience to extreme weather conditions • Insuring assets vulnerable to extreme weather
Chronic risks	• Sea level rise		
Transition Risks			
Policy and Legal Risks	• Increased compliance requirements related to climate change	• Increased costs: increased compliance costs and risk of fines	• Closely monitor domestic and international climate policy trends to ensure that business strategies are adjusted in a timely manner to comply with the requirements of the law
Technology Risks	• Investing in new technologies to improve sustainability	• Increase in costs: increase in R&D and investment in new technologies, procurement of new equipment	• Continuous investment in research and development of low carbon and renewable energy technologies • Collaborate with research institutes, high-tech enterprises and industry partners to accelerate technology innovation and application
Market Risks	• Consumer preferences shift towards greener options	• Lower income: lower demand for goods due to changing consumer preferences	• Investing in research and development of environmentally friendly, low-carbon products to meet market demand
Reputational Risks	• Failure to effectively address environmental challenges	• Lower revenues: brand value is damaged, customer trust declines, and demand for goods declines	• Regularly publish ESG reports, disclosing in detail the effectiveness of climate risk management and carbon reduction to enhance transparency and credibility

Type of Opportunity	Climate-related Opportunities	Potential Financial Impact	Response Strategy
Products & Services	• Development of products using renewable materials	• Increased income: increased demand for low-carbon goods and services	• Development of eco-friendly fabrics such as recycled polyester for sustainable production solutions
Energy Source	• Use of renewable energy	• Cost reduction: lower operating costs	• Increase the proportion of renewable energy sources such as solar and wind power used in the Group's operations
Resource Efficiency	• Optimising production processes to improve energy efficiency	• Increased revenue: increased production capacity	• Reduce raw material waste and energy consumption by introducing automated production technology • Development of water treatment technology upgrading and recycled water utilisation projects • Promoting waste recycling and reuse
Markets	• Provide environmentally friendly products and services	• Increased revenue: increased market share and customer loyalty	• Proactive international marketing of sustainable products to capture growth opportunities in emerging markets • Reinforcement of environmental protection and sustainable brand image to enhance market competitiveness

Risk Management

In order to effectively manage and reduce the risks associated with climate change, the Group has established a comprehensive climate risk management mechanism that includes a systematic management process from identification, assessment, monitoring to the formulation of countermeasures, and has formulated a series of countermeasure strategies and contingency plans in response to a variety of extreme climate events and natural disasters.

Responding to the risk of extreme weather

- Set up an emergency response team to deal with unexpected climate events. This includes the formulation of contingency plans, such as dredging of pipes, preparation of sandbags in advance and other flood prevention measures during winter, as well as reinforcement and cleaning of buildings during summer, in order to prevent potential damages from extreme weather.
- Conduct regular risk assessments and inspections of key risk points for infrastructure.

Managing human and material costs

- Review global and local policies and regulations, technological developments and market trends to identify potential financial impact risks and opportunities.
- Actively participate in the formulation of relevant industry policies and implement internationally recognised management systems to ensure adaptability and preparedness for climate-related risks.

Actively responding to market changes

- Conduct market research and pay close attention to climate-related market trends. Adjust product strategies according to changes in market demand to meet consumer demand for environmentally friendly products, thereby increasing the company's competitiveness and market share.

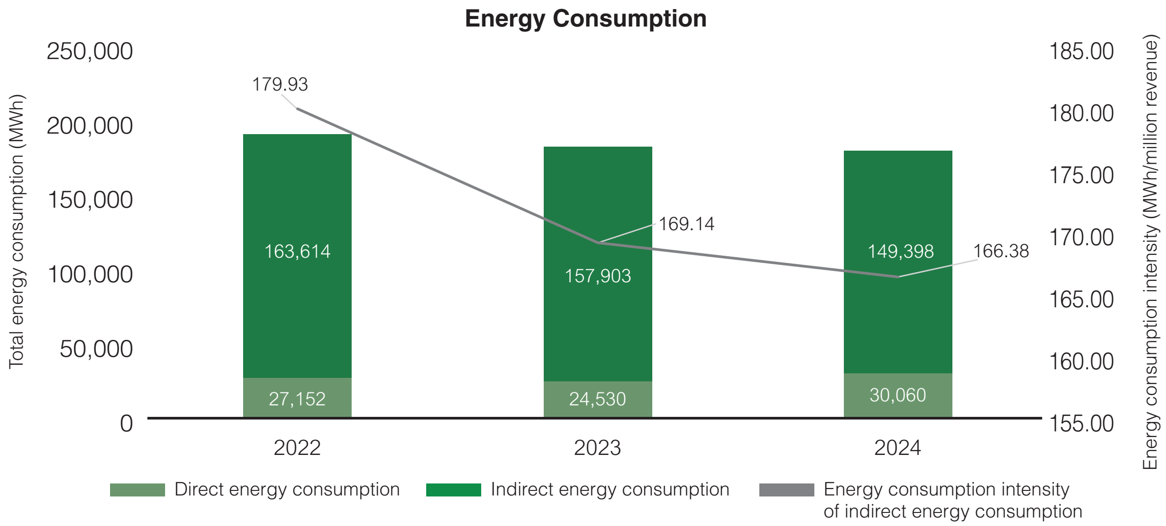
Enhancing supply chain security

- Conducts supply chain assessments to evaluate climate-related risks in the supply chain and to identify alternative sources of supply. The Group requires suppliers to take precautionary measures against climate-related risks and conduct risk assessments to cope with possible extreme weather events in the future.

Metrics

Energy use

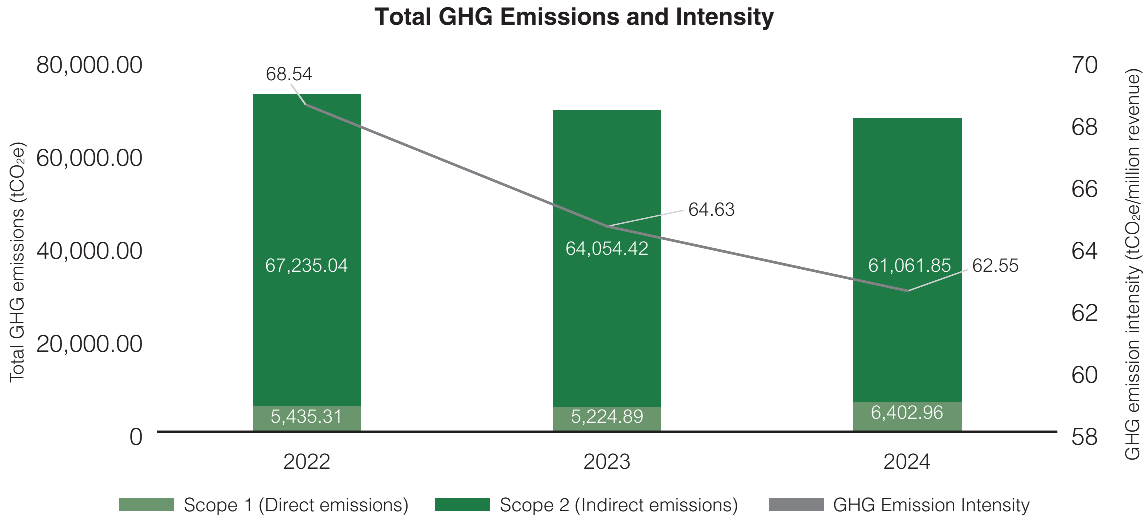
Improving energy efficiency is an important measure to reduce the impact of climate change. The Company has formulated the "Energy Management System" to optimise energy consumption in the course of operations. Natural gas and purchased electricity are the major sources of energy used by the Group. During the Reporting Period, a total of 179,458.34 MWh of energy was consumed, with an energy consumption intensity of 27.87 MWh/million revenue.



Carbon emissions

The Group actively responded to the country's carbon peak and carbon neutral ("**dual carbon**") targets by formulating and implementing a greenhouse gas emissions reduction plan, and is committed to promoting a green and low-carbon transformation. In co-operation with the Semir brand, Yadong (Changzhou) has conducted a product carbon footprint assessment, which comprehensively traces the carbon dioxide emissions of each garment throughout its life cycle, from raw material sourcing to final product manufacturing, providing data support for the realisation of sustainable development of the supply chain.

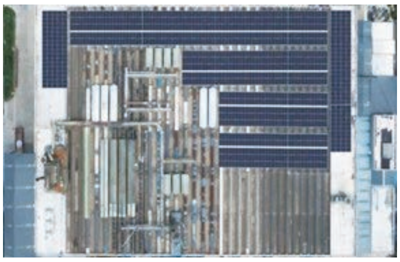
During the Reporting Period, the total GHG emissions of the Group amounted to 67,100.07 tonnes of carbon dioxide equivalent (tCO_2e), representing a decrease of approximately 3.7% as compared with last year. Among them, the greenhouse gas emissions from Scope 1 and Scope 2 were 6,402.96 and 60,697.11 respectively, accounting for 9.5% and 90.5% of the total GHG emissions.



Enhancement of Climate Resilience

Renewable Energy Use

The Group is committed to optimising its energy mix and continues to look for opportunities to utilise renewable energy in order to achieve its sustainable development goals. Through the commissioning of photovoltaic projects, Yadong (Changzhou)'s annual electricity generation reached a cumulative total of 679,721 kilowatt-hours (kWh), which is equivalent to a reduction of about 365 tonnes of carbon dioxide emissions[1], making a positive contribution to the mitigation of climate change. The second phase of the distributed rooftop photovoltaic power generation project occupies a total roof area of about 5,000 square metres, with an installed capacity of 800kWp of photovoltaic modules. The project adopts the BIPV[2] installation method, which not only effectively ensures the sunlight and waterproof function of the roof, but also effectively extends the service life of the roof. The operation of this photovoltaic system further enhances the Group's efficiency in energy utilisation and reduces its reliance on traditional energy sources.



Rooftop of the factory area after completion of the photovoltaic project

[1] The latest annual national grid average emission factor is 0.5366t CO_2/MWh, and the photovoltaic power generated in Yadong (Changzhou) is 679,721 kWh, which is equivalent to a reduction of approximately 365 tonnes of CO_2 when converted.

[2] BIPV (Building Integrated Photovoltaics) is a photovoltaic building integration, which refers to the photovoltaic system that combines the photovoltaic power generation system with building components such as the roof or curtain wall, and that can satisfy the building's functions of lighting and thermal insulation as well as generating electricity without changing the building's appearance.

Energy Storage Projects

The energy storage project was completed and put into operation by Yadong (Changzhou) during the Year. The energy storage project can realise charging at lower prices during the trough period and discharging at higher prices during the peak period, thereby realising effective storage of electricity and profit differentials, and bringing additional economic benefits to the Company.

Energy Storage Projects

Energy Saving and Emission Reduction Initiatives

The Group continues to optimise its energy consumption structure and is committed to continuously improving energy efficiency and achieving energy conservation and utilisation targets through measures such as equipment renovation, equipment configuration optimisation and development and utilisation of energy-saving technologies. We have adopted various measures in our plants to reduce energy consumption and improve efficiency.

Utilising a thermal system to reduce steam temperature and pressure

- To address the issue of low thermal system efficiency caused by overheated purchased steam, Yadong (Changzhou) utilised a temperature and pressure reduction system to convert steam into saturated steam before it reaches the heat-using equipment, thereby improving the thermal efficiency of the thermal system and achieving energy conservation.

Utilising a compressed air system for waste heat recovery

- By modifying the internal oil circuit of the air compressor and installing an external heat exchanger, the residual heat from the air compressor cooling system is recovered and utilised to heat tap water. The heated water is then circulated through a circulation pump to an insulated water tank for use by employees for bathing.

Wastewater Heat Recovery System

- For the hot wastewater generated by the dyeing and printing process, the Company uses counterflow or crossflow heat exchange between wastewater and industrial water to reduce the temperature of the wastewater. The clean water then absorbs heat from the heat exchanger and supplies it to the machinery, thereby reducing steam consumption.

In addition, we further stepped up our efforts in upgrading and renovating old equipment during the Year. Through the replacement of energy-efficient air compressors, electrical machinery and other equipment, we have significantly reduced energy consumption and effectively reduced carbon emissions.

Product Carbon Footprint

The Group is committed to promoting the environmental management and optimisation of its products throughout their life cycle. Through the Life Cycle Assessment ("**LCA**") system, the Group comprehensively identifies and mitigates the environmental impacts of its products from raw material acquisition to disposal, thereby contributing to the realisation of a green transformation.

During the Reporting Period, we have commissioned a third-party organisation to account for seven indicators, namely climate change, primary energy consumption, water consumption, acidification, nutrient enrichment, respirable inorganic compounds and photochemical ozone synthesis, over the full life cycle of the polyester viscose linen fabrics produced by Yadong (Changzhou), in order to provide detailed information and data in support of the third-party carbon footprint certification.

Environmental Management System

The Group strictly complies with national and local laws and regulations related to environmental protection[3] and is committed to building an efficient and comprehensive environmental management system to minimise the impact of its business operations on the environment, to promote resource conservation and ecological protection and to achieve the goal of sustainable development.

In order to achieve the above objectives, the Company has obtained ISO 14001 environmental management system certification and ISO 50001 energy management system certification, and has deeply integrated environmental management into its daily operation processes. Through clear strategic directions and scientific indicators, we effectively monitor and manage energy consumption, emission levels and resource efficiency.

In addition, the Group has formulated the "Environmental Protection Management System", which is applicable to each of the Company's sewage treatment plant and the departments where the environmental protection facilities are located. The safety and environmental protection officer of the administrative office is responsible for environmental protection management, and all relevant departments and personnel are required to actively co-operate with the safety and environmental protection officer in carrying out environmental protection management. The Company regularly accepts the monitoring by the environmental protection department and strengthens the supervision and management of environmental quality according to the monitoring report.

3 Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

Environmental Management Targets

To effectively minimise the environmental impact of our business activities, we have set specific environmental management targets to continuously improve our environmental performance and promote green transformation.

Energy Saving

To achieve energy conservation and utilisation targets through equipment modification.

Emissions

Optimise the waste gas treatment facilities to ensure that the emissions are in compliance with the regulations.

Water Conservation

Realise the goal of water conservation through water recycling and other processes and facilities.

Waste Management

Committed to reducing the Company's waste emissions through recycling and other means.

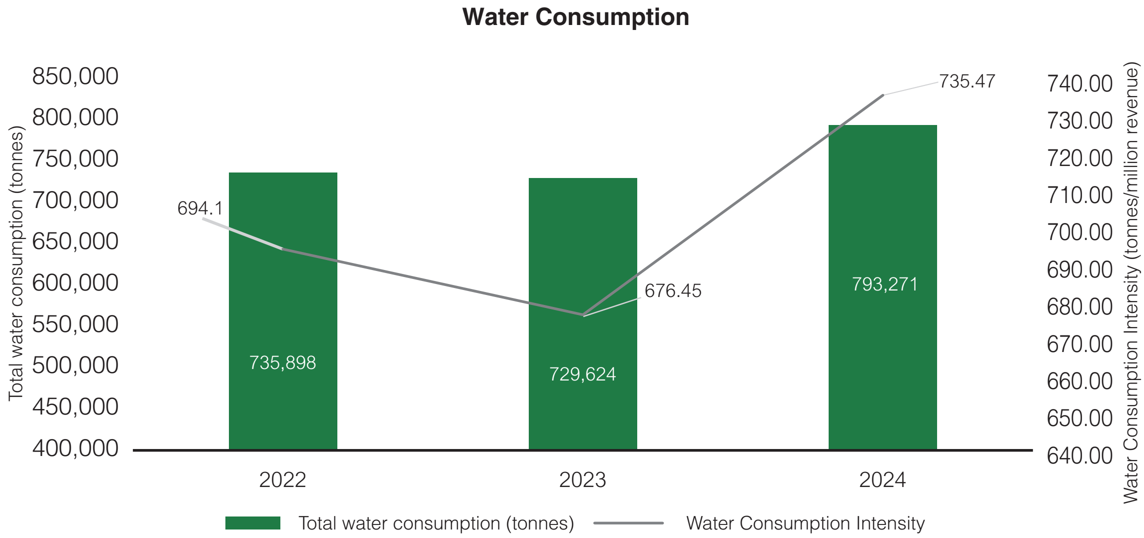
Sustainable Management of Resources

Water Utilisation

The Group is a "Water-Saving Enterprise in Jiangsu Province" certified by the Jiangsu Provincial Department of Water Resources in recognition of the Group's efforts in conserving water resources.

To reduce water consumption, the Group has adopted a series of measures, including the recycling of steam condensate and cooling water from high temperature air-flow atomised dyeing machines, sanding machines and sizing machines; and the installation of temperature and pressure reduction equipment for the steam condensate system to refine the use of water resources. In addition, the process water of the machine is piped to the water membrane dust collector in the wool sintering workshop for use, which further saves fresh water.

The Group aims to reduce its consolidated energy and water consumption per unit of product by 0.5–1% per annum. In 2024, the total water consumption of Yadong (Changzhou) was 793,271 tonnes, with a water consumption intensity of 735.47 tonnes per million revenue. We are committed to strengthening water resource utilisation through processes and facilities such as water recycling, thereby achieving our water conservation goals.



Packaging Material Utilisation

The Group makes full use of various materials in the production process, including packaging materials and waste materials, etc. through recycling and recovery. For the collection, transportation, storage and recycling of packaging materials, we arrange our logistics staff to handle the matter in collaboration with the production department, aiming at re-sorting and classifying the used paper tubes and packaging bags for recycling within the plant.

Dyeing and chemical packaging bags, which are relatively clean and easy to clean, will be washed and selected to facilitate reuse and reduce resource wastage. For packaging materials that cannot be recycled on our own, they will be handed over to a third party for centralised waste recovery and disposal. The Group aims to increase the number of times the packaging materials are used and reduce the consumption of packaging materials through regulations such as recycling.

Emissions Management

Pollutant Prevention and Control

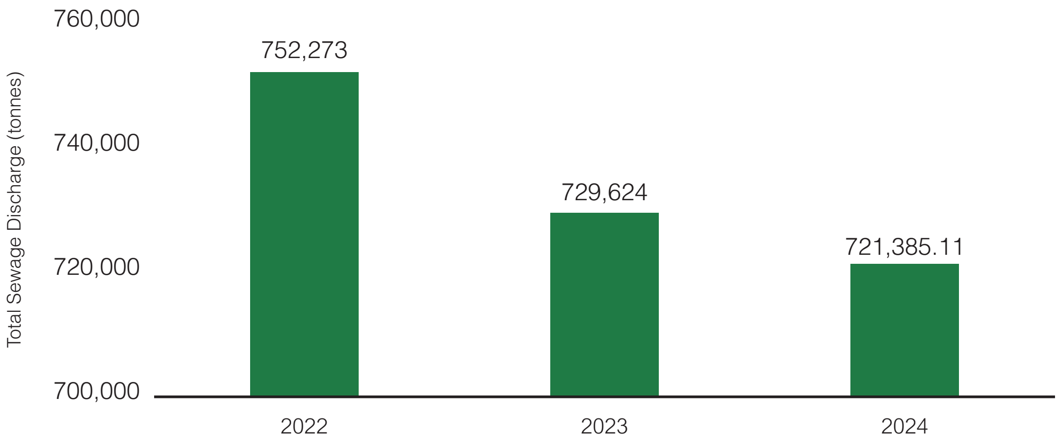
The Group strictly complies with national and local requirements on pollutant discharge and its internal "Environmental Protection Management System" to strictly regulate the discharge of various pollutants in its production operations, to eliminate the occurrence of serious pollution incidents, and to plant the concept of green development in the entire process of its operations.

Emission Prevention and Control

The main sources of emissions in Yadong (Changzhou) are VOCs ("**Volatile Organic Compounds**"), particulate matters, oil fumes, benzene and other substances generated from the shaping process and wool-burning process in the production workshops, as well as vehicle exhaust emissions. The Group has obtained an emission permit from the Changzhou Environmental Protection Bureau and strictly complies with the emission standards and limits stipulated in the permit. We conduct regular emission monitoring and reporting to ensure that the environmental impact of our production activities is minimised.

We have developed a pollution source monitoring programme in accordance with the "General Rules of Technical Guidelines for Self-monitoring by Pollutant Discharging Unit HJ819-2017". In view of the air pollutants generated in the production process, Yadong (Changzhou) has installed six sets of exhaust gas treatment facilities, including fully automatic cleaning fume purification equipment, bag-type dust collector and exhaust gas purification equipment. In addition, in order to effectively cope with the problem of organic matter decomposition in the sewage ponds, we have again implemented the renovation of the sewage ponds with a cover during the Year to control the unorganised emission of waste gas. The collected waste gas is purified through specialised waste gas treatment facilities to ensure that it meets the standards before discharge. We strictly enforce the monitoring programme and ensure the accuracy and reliability of the monitoring data to ensure that the treated emissions are in full compliance with the relevant statutory requirements.

Sewage Discharge



During the Reporting Period, Yadong (Changzhou) generated 0.34 kg of SOx, 601.63 kg of NOx and 859.51 kg of particulate matters.

Sewage Treatment

In strict compliance with the requirements of the sewage discharge permits, Yadong (Changzhou) regularly invites third-party testing agencies to conduct water quality tests on discharged sewage to ensure compliance with national and local environmental protection regulations and standards. During the Reporting Period, Yadong (Changzhou) generated 721,381 tonnes of sewage, representing a year-on-year decrease of 1.1%.

Sewage Treatment Facilities

For the printing and dyeing wastewater generated during the production process, Yadong (Changzhou) has a dedicated wastewater pre-treatment station and has installed online monitoring equipment for acidity ("**pH**"), chemical oxygen demand ("**COD**"), and ammonia nitrogen at the discharge point. These facilities are networked with the monitoring platform for real-time monitoring and data analysis. An anaerobic tank and a hydrolysis acidifier are installed in the station. In addition, a new treatment anaerobic tower was constructed during the Year to enhance the efficiency of sewage treatment.

The Company is actively promoting the "Water Reuse Project", which plans to reuse treated water and enhance energy efficiency and reduce fresh water consumption through heat energy conversion technology to support the Company's green development strategy.

Operation Norms for Sewage Treatment

The Company has formulated the "Sewage Treatment Process", "Safe Operating Rules for Sewage Treatment" and "Operation Norms for Sewage Treatment", which require the sewage treatment commissioner to check the operation of the sewage treatment system on a daily basis, including conducting daily measurement on the pH value of the adjusting tank, coagulation tank, primary sedimentation tank, hydrolysis tank, aeration tank and secondary sedimentation tank, and conducting regular testing on the sedimentation ratio of deaeration tank and hydrolysis tank and the dissolved oxygen in the aeration tank and hydrolysis tank, with the above measurement and test results recorded in the "Sewage Treatment Daily Report".

In order to ensure the standardisation and efficiency of the sewage treatment work, the Company requires a full-time commissioner to fill in and report the sewage treatment work. In addition, the Company adopts a two-member co-ordinated management model, whereby the water quality analyst regularly extracts and tests the water quality of the primary sedimentation tanks and the secondary sedimentation tanks, and records the results in the "Water Quality Analysis Report", which is then used by the wastewater treatment staff to make timely adjustments to the pharmaceuticals based on the results and recorded in the "Sewage Treatment Daily Report".

Yadong (Changzhou) continues to optimise the treatment process and is committed to keeping the COD value of the wastewater stable within 100 mg/L to ensure that environmental requirements are met, and to promote continuous improvement and upgrading of the wastewater treatment work.

Waste Management

The Group is committed to reducing waste generation at source by actively adopting cleaner production processes for each production process. The Group has formulated a management system named "Hazardous Waste Management responsibility System for Warehouse", which clearly stipulates the persons responsible for the segregation, collection, transportation, storage and transfer of hazardous wastes and their relevant duties.

Global Recycled Standard

In addition, Yadong (Changzhou) has obtained the Global Recycle Standard certification ("**Global Recycle Standard**"), Its products, including corduroy, cotton poplin, cotton, cotton polyester/cotton brocade, predominantly cotton, and Tencel viscose, are all recyclable, and the recyclability of its products is 100%.

Hazardous waste

Hazardous wastes generated during the production and operation process of Yadong (Changzhou) mainly include waste oil gloves, waste rubber gloves, waste toner cartridges, waste oil, dye packaging bags and sludge. In order to ensure that these wastes are handled properly, the Company has set up dedicated hazardous waste storage areas in the office and factory areas. All hazardous waste is transported and disposed of by third-party treatment organisations with legal qualifications, and agreements on the disposal of hazardous waste have been signed to ensure that the treatment is carried out in a compliant and safe manner.

During the Reporting Period, a total of 7,075 kg of hazardous waste was generated by Yadong (Changzhou), with an emission intensity of 6.56 kg/million revenue.

Non-hazardous Waste

The major non-hazardous wastes generated by Yadong (Changzhou) include waste paper, waste plastics, waste metals and domestic waste. In order to further promote waste recycling, we have installed waste separation bins in our office and factory areas, in which the collected recyclable waste will be sold to legally operated waste recycling units for resource recycling and reuse; while non-recyclable waste will be collected and managed by the local environmental sanitation offices and other recycling departments on a regular basis.

During the Reporting Period, a total of 5,924 kg of non-hazardous waste was generated by Yadong (Changzhou), with an emission intensity of 5.49 kg/million revenue.

In order to enhance the efficiency of resource management and reduce paper waste, the Company is planning to promote office automation and the construction of an integrated platform, which has already been put on trial in some departments. In the future, the platform will be gradually extended to the entire plant according to actual demand, with an aim to fully realise paperless office. The platform will cover daily business operations such as procurement process approval, exit permit approval, as well as the electronic generation and management of accounts and other files. Through systematic digital management, the Company will be able to optimise office processes, enhance work efficiency and significantly reduce paper consumption, thus helping the enterprise to move towards the transformation goals of information management and green office.

Waste Reduction Initiatives

Alkali Recycling

The alkali recycling project is of great significance in achieving the sustainable development goals of Yadong (Changzhou). The concentration of alkali used in the factory's mercerising machines ranges from 180 grams to 220 grams. The waste alkali produced after each use is directed to the sewage pipe and into the sewage tank. This practice not only increases the volume of wastewater, but also raises the difficulty of wastewater treatment and increases the amount of pharmaceuticals used.

To meet this challenge, we have taken measures to recover the waste alkali. Waste alkali is concentrated in an evaporation process to the required 200 grams of alkali, which is then reused in the production of mercerisation machines. During the Year, we upgraded our alkali expansion facilities, which not only increased the rate of alkali recycling, effectively reducing the need for new alkali, but also reduced the amount of acid used, thereby effectively reducing the amount of emissions produced, contributing to resource efficiency, and greatly reducing the burden on the environment.

Noise Pollution Prevention and Control

The Group attaches great importance to the management of noise in the production process and actively takes effective measures to minimise the impact of noise on the environment and employees. The Group has formulated the "Pollutant Control Procedures", which sets out clear requirements and preventive measures against noise pollution. We have promoted the effective implementation of noise prevention and control by continuously optimising the management of equipment at and adopting noise reduction measures.

Equipment inspection and maintenance	Prioritising the use of low-noise equipment	Noise reduction measures
Require the Production Department to strictly follow the "Equipment Management Procedures" to check the integrity of various equipment and facilities, and carry out timely maintenance if equipment is found to be old, damaged, etc. causing noise problems.	Relevant departments are encouraged to select low-noise equipment as much as possible under the equivalent conditions.	Active noise mitigation measures have been taken, such as installing walls to reduce noise.

Chemical Management

The Group attaches great importance to the safe management of chemicals and has formulated internal "Chemical Control Procedures" to comprehensively regulate the procurement, storage, transportation, use and disposal of chemicals to minimise the potential risks to the environment and employees' health.

The Company classify its chemicals used and establish a "Chemical List". In the procurement and use of chemicals, we ensure that all chemicals purchased are from suppliers with legal operating qualifications. We have set up a complete account management for the chemicals we purchase, recording their categories and nature to achieve full life-cycle traceability. In order to ensure the safety of the storage process, the Company has set up specific areas for the storage of chemicals and taken measures to prevent volatilisation, leakage, fire prevention, explosion prevention, ventilation and drying.

In addition, we conduct annual chemical safety training for staff involved in the use of and contact with chemicals to ensure that they understand the proper use of chemicals and the safety precautions to be taken in order to reduce the risks involved in the use of chemicals.

In the future, the Group will continue to improve its chemical management measures, strengthen its risk control capabilities and enhance the safety awareness and skills of its employees to ensure safe production and promote the green and sustainable development of the enterprise.

Responsible Operation

Quality Assurance

The Group has always adhered to the corporate culture of "Innovation, Integrity and Perseverance" and regarded the quality of products and services as one of the core competencies of the enterprise. We strictly follow domestic and international quality management standards and have established a comprehensive quality management system covering the entire process of control from raw material sourcing, production and manufacturing to after-sales services.

The Group has formulated the "Product Quality Management System" and the "Production Management System" to continuously optimise its internal quality management processes, and conducts regular inspections and improvements of its production equipment and processes to ensure stable and reliable product performance.

Before fabric production, the production department and the sales department hold a pre-production meeting and determine the production process. For incoming raw materials, the Quality Assurance Department is required to inspect and accept the name, specification, quantity and quality condition of the purchased items. The Technical Department is responsible for the management of the Company's production technical data. According to the production process requirements of the products, the Technical Department issues "Prescription Process Instruction Order" to the production workshops, and the production staff shall strictly comply with the Company's technological process specification. The production of all types of products shall be operated in accordance with the "Post Responsibility System, Technical Operating Procedures and Requirements". In order to ensure that the raw materials and production process comply with the quality and production standards specified by our customers, we have formulated the "Colour Classification Standards for Finished Products" and the "Quality Rating System for Greige Fabric" to assess the quality of the products in compliance with the shipment standards.

Products shall be 100% inspected in the finished product workshop and "Finished Product Inspection Record Sheet" shall be made. The Quality Inspection Department, together with the Production Department and the Technical Department, shall be responsible for convening a quality analysis meeting for the purpose of identifying the causes of quality problems and identifying the responsible persons.

Product Quality Assurance Process

Product Certification

Yadong (Changzhou) has successfully obtained the ISO9001 quality management system certification and our product quality has been widely recognised by the textile industry and organisations both at home and abroad. Honours include "Accreditation Certificate by Semir Laboratory", "Certification by Uniqlo Laboratory", "Certification by WalMart", "OEKO-TEX Certification" for environmentally friendly textiles, "Organic Content Standard" (OCS) Certification[4], "Recycling Claim Standard" (RCS) Certification[4], "Global Recycling Standard" (GRS) Certification[4], and Global Organic Cotton Production (GOTS) Certification[4].

[4] The certificate of Organic Content Standard (OCS), Recycling Claim Standard (RCS), Global Recycling Standard (GRS), and Global Organic Cotton Production (GOTS) are all Scope Certificates ("**SCOPE CERTIFICATE**").

In 2024, our fabric products won a number of awards:

- China Fashion Fabrics Finalist — Outstanding Product Award
- Changzhou High-tech Product Certification — Triple Corduroy Printing and Dyeing Fabrics
- Changzhou High-tech Product Certification — Cotton elastic plain dyeing and printing fabrics

Sateri China Fashion Fabric Design Award — Lyocell Market Application Award
Sateri China Fashion Fabric Design Award — Lyocell Excellent Product Award
2023 China Popular Fabric Finalist — Excellent Product Award
2023 Excellent Fabric in China's Printing and Dyeing Industry — First Prize
2023 China's printing and dyeing industry — Top 30 Enterprises

R&D innovation

The Group is committed to technological innovation and product research and development to meet market demand and promote the development of the industry. Focusing on zero-carbon and recycled environmental protection practices, we mainly provide a full range of cotton-woven fabrics made of natural and eco-friendly fibres, including cotton, linen, Tencel™, modal, viscose, polyester, nylon and other new and high-quality materials, as well as a wide range of colours, patterns, textures and functionalities through our unique technology. In addition, we have extensive experience in the development and production of corduroy and natural textured functional fabrics to meet different market demands.

In order to promote the sustainable development of the industry, we continue to explore and promote environmentally friendly recycled fibres and functional fabrics, helping the industry to innovate and upgrade, and building a green and sustainable future.

ECO Series

Tencel Acetate, Organic Cotton Recycled Polyester

The “Eco Series” products are made of renewable fibre yarns and fabrics, ensuring that the raw materials are recyclable and environmentally friendly.

Workwear Series

The “Workwear Series” products are made of twill technology, which is more breathable than flat fabrics, with better abrasion resistance and strong fabrics, suitable for all kinds of working environments.

Cotton twill, rabbit yarn left twill

Tencel Series

Tencel polyester, Tencel hemp polyester

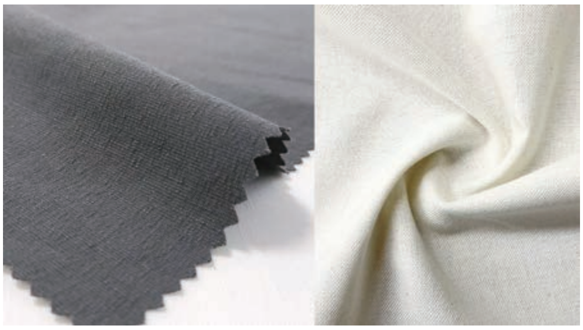
The “Tencel Series” products are mainly made of Tencel and Tencel interwoven/blended fabrics with good drape and soft luster, which are mostly used in summer and autumn to make dresses, shirts and other casual fashion.

Fashionable Sportswear Series

The “Fashionable Sportswear Series” products are mostly blended with elastic and abrasion-resistant fibres, and through the combination of materials, equipment and technology, they form sports fabrics that are both fashionable and functional.

Nylon elastic chequered fabric with four-way stretch

Urban Style Series



T/C left twill, polyester cotton linen plain cloth

The "Urban Style Series" products combines comfort and style to make for a great wearing experience.

Functional Fabric Series

The "Functional Fabric Series", each with its own performance, are cool, anti-static, waterproof, and UV resistant to meet the needs of all kinds of daily wear.

Polyester conductive silk, cool feeling UV ray protection fabrics

Customer Service

The Group has established and implemented the "Sales Management System" to construct a service system covering the entire life cycle of its products and to provide clear supervision and management guidelines for the sales business. The system clearly defines the responsibilities of each department and standardises the handling procedures. The quality control department is responsible for co-ordinating the inspection of incoming materials, monitoring the production process and after-sales services, while the sales department follows up on the execution of contracts to ensure timely delivery of products. In order to continuously improve product quality and customer satisfaction, we regularly review our production and service processes and communicate customer needs to the production department through a feedback mechanism, so as to optimise the production process and meet market demands.

The Group conducts daily video communication with our customers to ensure that we are able to grasp their opinions and suggestions on our products in a timely manner. Upon receipt of a complaint or product recall request, our professional team will promptly visit the site to conduct inspection and quality assessment, and communicate directly with the customer to ensure that the problem is handled in a timely manner. If it is confirmed that the product can no longer be used, we will immediately arrange for a recall, repair or re-processing, and re-delivery after passing inspection to maximise the protection of customers' rights and interests. During the Reporting Period, we have not had any recalls for health or safety reasons.

Intellectual Property Protection

The Group regards intellectual property rights as the core driving force of corporate innovation and sustainable development. While encouraging its employees to carry out technological innovation and product development, the Group attaches great importance to the protection of intellectual property rights and strictly complies with the relevant laws and regulations[5] to ensure that the fruits of corporate innovation are legally protected.

In order to promote the active participation of employees in technological innovation and invention activities, the Group has set up an incentive mechanism to encourage employees to submit technological innovation proposals in accordance with the "Reward Measures for Patent Application by Employees of Yadong", and employees who successfully apply for patents will be rewarded accordingly. In the future, the Group will continue to strengthen the management and protection of intellectual property rights, encourage innovative research and development, promote technological breakthroughs, provide high-quality and high value-added products to the market and maintain its competitive edge in the industry.

Information Security Protection

The Group attaches importance to customer privacy and information security and is committed to providing a secure business environment for all stakeholders. In order to strengthen information management, we have formulated and implemented the "Sales Management System", which clearly regulates and monitors the processes of sales contract management, shipment management, return management and sales service supervision to ensure the transparency and efficiency of the business processes and at the same time effectively protect the privacy of customers.

In order to further enhance data security protection, the Group has clearly defined the duty requirements on employee privacy and data confidentiality in the "Employee Management System", and any unauthorised disclosure or dissemination of sensitive information of the Company and its customers by any employee is strictly prohibited. Where necessary, employees are required to sign confidentiality agreements to ensure that data is used only for authorised and legitimate business purposes. Employees are required to report potential information security incidents immediately for timely response and prevention.

Supply Chain Management

The Group strictly complies with the laws and regulations relating to procurement and has established and implemented a comprehensive "Procurement Management System" to systematically manage and regulate the entire procurement process. The system covers important aspects such as supplier selection, contract signing, acceptance and payment, etc., and specifies the responsibilities and authority of each department at different stages to ensure the transparency and compliance of the procurement activities.

In order to enhance the effectiveness of supply chain management, the Group conducts a comprehensive performance evaluation of all suppliers at the end of each year. The person in charge of the purchasing department evaluates the suppliers based on the indicators of quality of goods or services provided, price, delivery and service performance, and completes the "Supplier/Business Outsourcing Factory Evaluation Form". After review and approval by the deputy general manager in charge, the updated list of qualified suppliers will become effective and will be properly filed and kept by the administration department.

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5 Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

In the supplier selection process, Yadong (Changzhou) always takes into account various factors such as quality, service level, delivery time and cost to ensure that all potential partners meet the Group's high standards. Major procurement items include greige fabrics, dyestuffs, auxiliaries, accessories, measuring tools, office equipment and fixed assets, etc., which effectively support the Group's daily operation and business development needs.

During the Reporting Period, the Group co-operated with a total of 648 suppliers, of which 440 are located in Jiangsu Province.

Green Procurement

The Group always adheres to the concept of green development and gives priority to the use of recycled cotton and recycled polyester in the selection of raw materials in order to reduce the impact on the environment. In yarn production, weaving and dyeing, we strictly select environmentally friendly and less polluting raw materials and additives, and are committed to building a low-carbon and sustainable supply chain system. In addition, we actively co-operate with environmentally conscious suppliers and encourage them to obtain the necessary environmental certifications in order to jointly promote sustainable development.

For dyestuffs that may contain total phosphorus, we specifically require suppliers to provide total phosphorus-free product options that meet our standards to minimise the risk of potential contamination of water bodies. Through these measures, we aim to strengthen the environmental attributes of our supply chain and provide our customers with greener product choices.

Indicator	**Unit**	**2024**	2023
Number of suppliers with environmental, quality and occupational safety certificates[6]	Individual	**35**	28

Supply Chain Risk

The Group actively identifies and manages risks in the supply chain to ensure compliance and safety in the procurement process. In every procurement activity, we require our procurement officers to compare at least three suppliers to minimise potential risks and select the best option for cooperation.

We strictly monitor all goods supplied by our suppliers to ensure that they comply with the requirements of national laws and regulations. Especially for toxic and dangerous goods, we require suppliers to provide appropriate compliance documents to ensure the safety and legality of the goods.

For critical materials such as greige fabrics, we require on-site verification of the suppliers before placing orders and approval from the general manager before procurement. In addition, when signing purchase contracts for dyestuffs and auxiliaries, we explicitly require suppliers to provide a test report detailing the composition and content of the dyestuffs at the time of delivery, so as to ensure that the actual products delivered are consistent with the test report.

Through stringent management measures, we have effectively reduced supply chain risks and laid a solid foundation for continuous improvement in product quality and environmental protection.

[6] The supplier herein refer to the supplier for main business of Yadong (Changzhou).

Supplier Communication

The Group attaches importance to good co-operation and transparent communication with its suppliers and is committed to building a mutually beneficial and trusting partnership to promote the continuous optimisation and sustainable development of the supply chain. We maintain close contact and communication with our upstream and downstream suppliers to explore the direction of co-operation and improvement.

UNIQLO's Study Tour

As one of UNIQLO's key global suppliers of woven fabrics, Yadong (Changzhou) welcomed the UNIQLO's study tour at our headquarters in Changzhou, Jiangsu Province. The Group's general manager led them on a factory tour, including a visit to the physical and chemical laboratory to understand the control of various indexes of fabrics and the accuracy of colour matching, dyeing and machine colour mixing, and introduced a series of advanced technological reforms in the workshop from automatic liquid dispensing, automatic weighing to automatic packaging of finished products.

7th Semir Strategic Advisory Board Meeting

As the most important strategic supplier of woven fabrics to Semir Group in the past ten years, Yadong hosted the 7th Semir Strategic Advisory Board Meeting and reached consensus with many industry partners on deepening co-operation on issues such as "building a synergistic supply chain, avoiding R&D risks and achieving flexible supply".

Integrity Construction

The Group upholds a clean and honest corporate culture, strictly complies with the relevant laws and regulations[7], maintains a zero-tolerance attitude towards corruption and malpractice, and proactively builds a clean and compliant operating environment to prevent internal and external acts of corruption.

The Group promotes a culture of integrity by clarifying the responsibilities and codes of conduct of directors, management and staff. At the same time, an internal audit organisation has been set up to assess, prevent and control fraud risks, and to conduct case investigations into suspected irregularities. To enhance management effectiveness, the Group conducts background checks on key positions to ensure the integrity and reliability of appointees. The internal audit organisation reports regularly to the Board and the Audit Committee on its anti-fraud work and is subject to their supervision and guidance. The Group insists on serious handling of fraudulent acts detected by and refers relevant cases to the judicial authorities when necessary, forming a strong anti-corruption and disciplinary mechanism to further strengthen the internal risk prevention and control system.

In terms of internal management, we provide our staff with clear guidelines on integrity through regulations and systems such as the "Financial System", the "Anti-Fraud and Whistleblowing Regulations", the "Code for Securities Transactions by Directors", the "Internal Audit Regulations" and the "Management System for the Use of Proceeds". We regularly organise morning meetings and periodic meetings to educate and promote integrity, and help employees understand relevant laws and regulations and compliance requirements through internal training and intranet publicity.

For external partners, we adhere to the principle of integrity and co-operation, requiring all partners to sign an "Anti-Bribery Pledge" and providing regular integrity checklists to assess partners' compliance in integrity building and anti-corruption. Through this series of measures, we jointly promote supply chain transparency and the implementation of anti-corruption culture.

During the Reporting Period, the Group organised anti-corruption training for a total of 185 persons, with 2 hours of training per person.

Reporting Channels

In order to safeguard the integrity of corporate governance, the Group has established a diversified reporting mechanism to provide a safe and convenient reporting channel for employees and the community. The Group has set up a dedicated email box for receiving reports on breaches of professional ethics or malpractices. In addition, physical mailboxes are provided for the convenience of whistleblowers to submit letters in writing.

The process of receiving, approving and forwarding reports is transparently recorded on the Company's extranet to ensure that the handling process is standardised and efficient. The internal audit organisation is responsible for regularly checking the management of reports to ensure timely handling and effective follow-up of cases. At the same time, the IT department provides technical support to ensure the smooth flow of reporting channels and the security of information.

In order to further protect the rights and interests of whistleblowers, the Group strictly enforces the whistleblower protection mechanism and maintains strict confidentiality of the information reported and the identity of the whistleblower to prevent leakage or improper use. Any form of retaliation is expressly prohibited, and any acts of retaliation will be dealt with seriously in accordance with the law, and legal responsibility will be pursued when necessary.

[7] Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

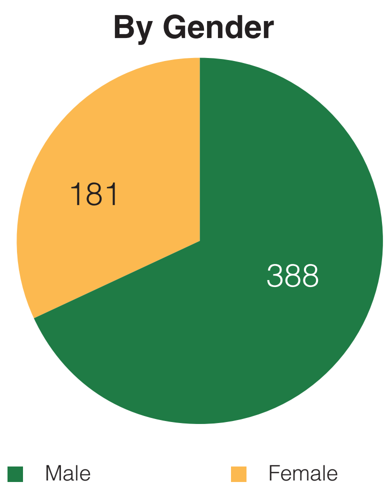
Employee Care

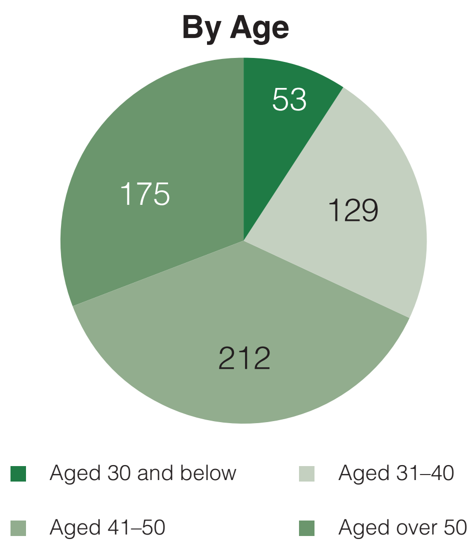
The Group adheres to the "people-oriented" management philosophy and is committed to providing a fair, healthy and competitive working platform for its employees and promoting the mutual growth of the employees and the Company. Through a transparent and fair management system and a full range of caring measures, we continue to enhance the occupational happiness and satisfaction of our employees.

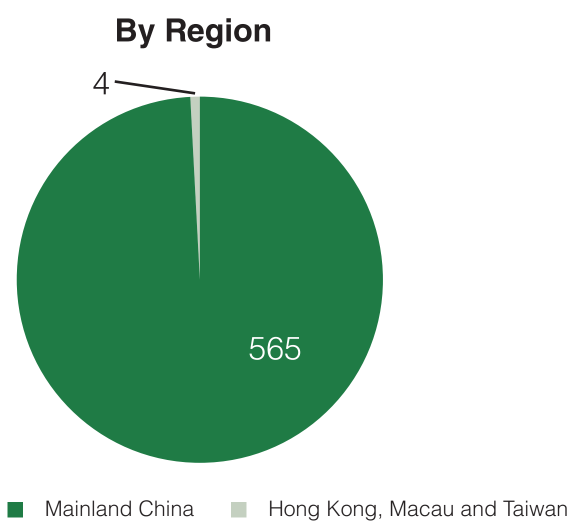
Responsible Employment

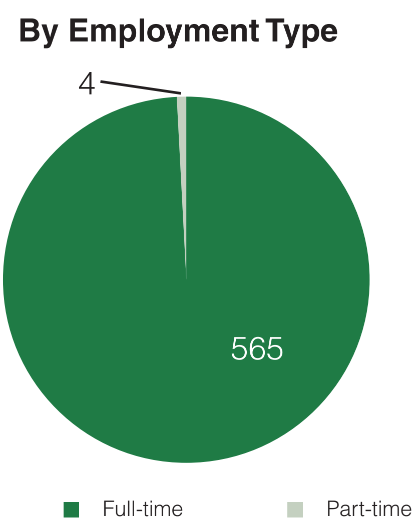
The Group adheres to the principle of lawful and compliant employment and respects the value and contribution of each and every employee. We have formulated the "Human Resources Management System" and adhere to the principles of openness, transparency and meritocracy to ensure that recruitment decisions are not affected by factors such as gender, age, race and religion.

As at the end of the Reporting Period, the Group had a total of 569 employees, which were distributed as follows:









In order to eliminate child and compulsory labour, the Group strictly complies with the relevant laws and regulations of the places of operation[8] as well as internal management systems such as the "Child Labour and Juvenile Labour Control Procedures" and the "Child Labour Remedial Management Procedures", and verifies the legal qualifications of candidates through verification of identity documents and other measures. In addition, we conduct regular spot checks and receive reports from employees. Once irregularities are detected, we will immediately take remedial measures and initiate investigations to prevent the recurrence of similar incidents.

Diversity and Equality

The Group is committed to fostering a diverse, equal and inclusive workplace culture to ensure that all staff can work and grow in a fair, just and respectful environment. We are determined to eliminate all forms of discrimination, including unfair treatment on the basis of gender, age, race, religion and other factors, and insist on equal pay for equal work for both men and women, providing equal development opportunities for all staff.

Women's Day Caring Campaign

In respect of the protection of labour rights and interests, we strictly comply with national laws and regulations to ensure that the working hours of our employees comply with the statutory requirements and that overtime pay or compensatory time off is provided in accordance with the law, so as to safeguard the legitimate rights and interests of our employees.

In addition, we are actively building an inclusive working environment and are concerned about the well-being of our female employees. During the Year, we set up a special nursery room to provide a private and comfortable space for breastfeeding female employees, so as to support their career and family balance. On important festivals such as the 8th March International Women's Day, we send holiday greetings and gifts to female employees to enhance their sense of well-being.

Welfare

With the core objective of enhancing the well-being of our employees, the Group provides a comprehensive remuneration and benefits system for our employees. We pay social insurance and housing provident fund for our employees in full and on time in accordance with the law, and a personal file will be established for each new employee to protect their basic rights and interests. The benefits we provide to our employees include:

Remuneration	Five insurances and one fund	Paid leave	Additional benefits
Basic salary Annual performance salary Benefits and allowances	Pension insurance Unemployment insurance Medical insurance Work injury insurance Maternity insurance Housing provident fund	Statutory holidays Paid annual leave Marriage leave Bereavement leave Maternity leave	Holiday benefits Annual physical examinations and free medical consultations Free lunch Overtime compensation

[8] Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

Staff Activity

In order to enrich the spare time life of our staff and to promote team cohesion, the Group regularly organises various staff activities, including but not limited to cultural festivals and celebrations, outdoor team building activities and so on. These activities not only enhance employees' job satisfaction, but also promote cross-departmental communication and co-operation.

2024 Annual Team Building Activity

This year, we launched a team building activity with the theme of "Sailing as a team, building a ship for the enterprise". Flexible travelling plans were provided to ensure that the needs of staff were met. Detailed notes and strategies were compiled by the relevant departments before departure to ensure the smooth running of the activities. During the activity, staff experienced the natural scenery and history and culture, and spent unforgettable time with their families and colleagues. The team building activity effectively strengthened the spirit of co-operation among employees and laid a solid foundation for the Company's future development.

Staff Communication

The Group attaches great importance to the democratic participation and supervision of its employees and has established diversified communication channels to ensure that employees' views are effectively listened to and handled. To facilitate employees' reflection of problems, the Company has set up a dedicated complaint hotline, an anonymous mailbox and a general manager's mailbox, where employees can choose to reflect their views directly to the management or convey them through staff representatives. All complaints are recorded in detail and followed up and handled in accordance with the "Employee Complaint Handling Record Form" to ensure the transparency and efficiency of the complaint process.

In addition, the Group has set up a dedicated interview team to conduct regular interviews with employees, collect and collate feedback from different positions, actively explore specific issues and seek improvement solutions, and endeavour to put reasonable suggestions into practice.

In order to further promote labour-management communication, the Group holds labour-management consultation meetings from time to time, where the management and staff representatives exchange and discuss issues such as working environment, process management, workplace safety, welfare benefits and staff grievance mechanism, and optimise and improve the consensus issues. At the same time, professional organisation committees have been set up within the Company to serve as an important channel for employees to reflect their views and suggestions, and to help co-ordinate and resolve various issues of concern to employees, thereby creating a harmonious and trusting working atmosphere and enhancing the sense of participation and belonging of employees.

Staff Support

The Group is committed to providing all-round support and assistance to its employees, especially when they are facing difficulties in life, health challenges or unexpected events, and actively providing necessary assistance measures to create a caring and supportive working environment.

Training and Development

Staff Development

The Group attaches great importance to the career development and capability enhancement of its employees and is committed to providing them with a broad development platform and diversified promotion channels to help them grow with the Company. When vacancies arise in various departments of the Company, priority will be given to recruiting suitable candidates from within the Company to fill the vacancies. In addition, we conduct regular performance appraisals and apply the results of these appraisals to job promotions, training needs, annual bonus payments and salary adjustments.

Management Trainee Programme

The Management Trainee Programme is an important initiative of the Group in nurturing young talents, aiming at selecting and nurturing young talents with potential, stimulating their working potential and preparing them for the future development of the Company.

Second Management Trainee Programme Camp

During the Year, the Group held the opening ceremony for its second Management Trainee Programme, which aimed at shaping the correct values of the trainees and enhancing their sense of corporate culture, as well as fostering their teamwork, competitiveness and spirit of innovation, so as to prepare them for the formal joining of Yadong and their entry into the workplace. The programme helped the trainees to understand the corporate culture, rules and regulations, as well as production safety related knowledge. In addition, the site visit helped the trainees to better understand the Company's operation, which helped the new employees to quickly integrate into the Company and effectively enhance their work efficiency.

Model Workers and Craftsmen Assist Enterprises

To give full play to the exemplary and leading role of the model workers and craftsmen and to assist the development of the enterprise, the Group launched the "Model Workers and Craftsmen Assist Enterprises" activity during the Reporting Period. The activity focused on the construction and management enhancement of Huang Haiyan's Model Worker (Craftsmen) Innovation Workshop (黃海燕勞模(工匠)創新工作室) to promote technological innovation and talent cultivation in the enterprise.

Visit by National Model Worker

Jiang Liying(蔣厲英), Vice Chairman of Federation of Trade Unions of Tianning District, and Li Chengxia(李承霞), National Model Worker, visited Yadong Technology and shared their personal growth experiences, emphasizing that "skills change life" and advocating the "mentor-apprentice" model to enhance the skills of young employees and promote the spirit of model workers.

Staff Training

The Group is fully aware of the importance of staff skills enhancement to the long-term development of the enterprise. Therefore, we have established a comprehensive training system and launched a full range of training activities for staff at different levels and functions in order to continuously enhance their professionalism and working ability. We have established the "Human Resources Management System" and the "Employee Training Management System", and the Administration Department of the Company is centrally responsible for staff training, with the close co-operation of other functional departments.

We provide a wide range of training programmes, including induction training, professional skills training, management training and vocational training. We adhere to the training system of "training first, then on duty". For newly recruited staff, staff transferring to other positions and new equipment operators, they must first receive training and fill in the "Employee Job Training Record", and they can only be posted if they have the basic conditions required for their positions. During the pre-employment period, new employees are required to undergo pre-employment training activities, including safety education training, management system training and other internal management training. For all staff, the Group conducts training for all staff during the annual staff meeting. In addition, specialised training activities are conducted by each department during working hours. We also encourage our staff to participate in external professional training to enrich their knowledge and skills.

For all types of training, whether internal or external, a training effectiveness evaluation is required to ensure the effectiveness of the training. The results of the training assessment will be recorded in the staff training file. In the event of a failure in the training assessment, the staff concerned will be required to undergo training again.

During the Reporting Period, the cumulative training hours of the Group were 7,800 hours, the cumulative number of training participants was 569 and the average training hours were 13.71 hours.

Skills Training

The Company provides a learning platform for its employees to systematically teach textile dyeing knowledge and skills. During the Year, the Group organised the Vocational Skills Level Examination for Textile Dyer (Advanced), aiming to enhance the theoretical basis and operational skills of the staff in textile dyeing. To ensure the fairness of the examination, the Changzhou Bureau of Human Resources and Social Security and senior invigilators supervised and video recorded the whole examination. The examination was divided into two parts: theoretical support and skills operation. Candidates fully demonstrated their knowledge and operation skills. The examination effectively promoted the staff's skill enhancement. In the future, the Company will continue to strengthen the training and encourage the staff to continue to learn and improve.

Vocational Skills Level Examination for Textile Dyer (Advanced)

Safety and Health

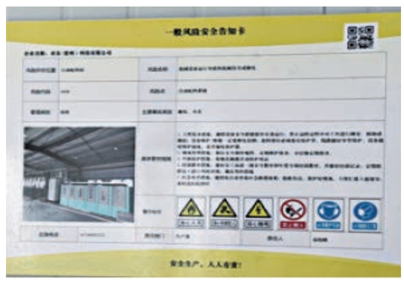
The Group continues to improve its safety management system and practically control the occupational health and safety risks involved in its production and operation. The Group strictly abides by the relevant laws and regulations of the places where it operates[9] and, with reference to the requirements of the ISO45001 standard, has formulated institutional documents such as the "Occupational Safety Management System" and the "Occupational Disease Prevention and Control Plan and Implementation Plan", with a view to providing targeted safety guidance for specific positions.

During the Reporting Period, the Group completed a total of 63 safety hazard investigations, with the rate of safety hazard investigation and rectification reaching 100%. In addition, the Group did not experience any safety incidents and successfully achieved the production safety target of zero safety incidents for the Year.

As at the end of the Reporting Period, the number of work-related fatalities and lost days due to work in the past three years of the Group are as follows:

Indicators	**Unit**	2022	2023	**2024**
Number of work-related fatalities in the past three years	person	0	0	**0**
Rate of work-related fatalities in the past three years	%	0	0	**0**
Lost days due to work injury	day	0	0	**0**

Focusing on the actual operating characteristics of the production bases, the Group follows the principles of "safety management, responsibility to the person" and "production must be managed in the interest of safety", and carries out occupational health risk and hidden danger identification and investigation in accordance with the "Provisions on Reporting of Safety Production Risks of Enterprises in Jiangsu Province". Through daily, weekly and monthly inspections, hidden safety risks are identified and dealt with in a timely manner to ensure that risk control measures remain effective. The Group has integrated the identified safety risks into the "Major Safety Risks Identification List", strengthened the risk control of various processes in the production workshops, and implemented risk management and control measures throughout the production process to minimise risks.



Risk Disclosure Card

At the same time, the Group provides annual occupational health check-ups for its employees to identify and prevent the risk of occupational diseases. During production operations, we issue labour protection products and strengthen labour protection measures to ensure the physical and mental health and work safety of our employees.

The Group attaches great importance to the health and safety of our employees and launched a number of health and safety related activities during the Year. These activities demonstrated the importance we place on the safety and health of our employees and our continuous efforts in risk prevention and control.

[9] Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

Workplace Safety Training

In order to strengthen the work of production safety, effectively prevent and resolve safety risks and hazards, and prevent and reduce production safety accidents, the Company invited experts from the Emergency Management Bureau to give lectures on production safety related theories, emergency response, accident prevention and other related knowledge.

Emergency Security Incident Drill

In order to enhance our staff's safety awareness and emergency response capabilities, we regularly conduct safety drills for operations in confined spaces, fire drills, and drills for hazardous chemical leakage, etc., so as to ensure that our staff are able to take prompt and correct countermeasures to minimise the hazards of accidents when they are faced with a safety incident.

"Summer Cooling Activity"

In order to cope with the high temperature in summer, the Company organised the "Summer Cooling Activity" to provide employees with heat-prevention materials and sent chilled green bean soup to the frontline employees in the production workshops to care for the health of the employees.

Non-Motorised Vehicles Safety Education

In order to enhance employees' awareness of traffic safety, prevent uncivilised driving behaviour and regulate the road traffic of non-motorised vehicles, the Company has organised a special non-motorised vehicle safety education course to disseminate relevant safety precautions to everyone.

Family Doctor Studio

The Company cooperates with community health service centres to set up a family doctor studio to provide health management services for employees, build up health profiles and create a healthy working environment.

Give Back to Society

The Group has always insisted on actively participating in social welfare activities as a corporate citizen and shouldering its corporate social responsibility to promote social harmony and sustainable development. With resource sharing and social feedback as our core concepts, we have made social welfare a long-term commitment and are committed to benefiting the community through a wide range of social responsibility programmes. During the Reporting Year, the Group made a total donation of RMB50,000 to social welfare causes.

Walking with Love — Caring for Children with Disabilities

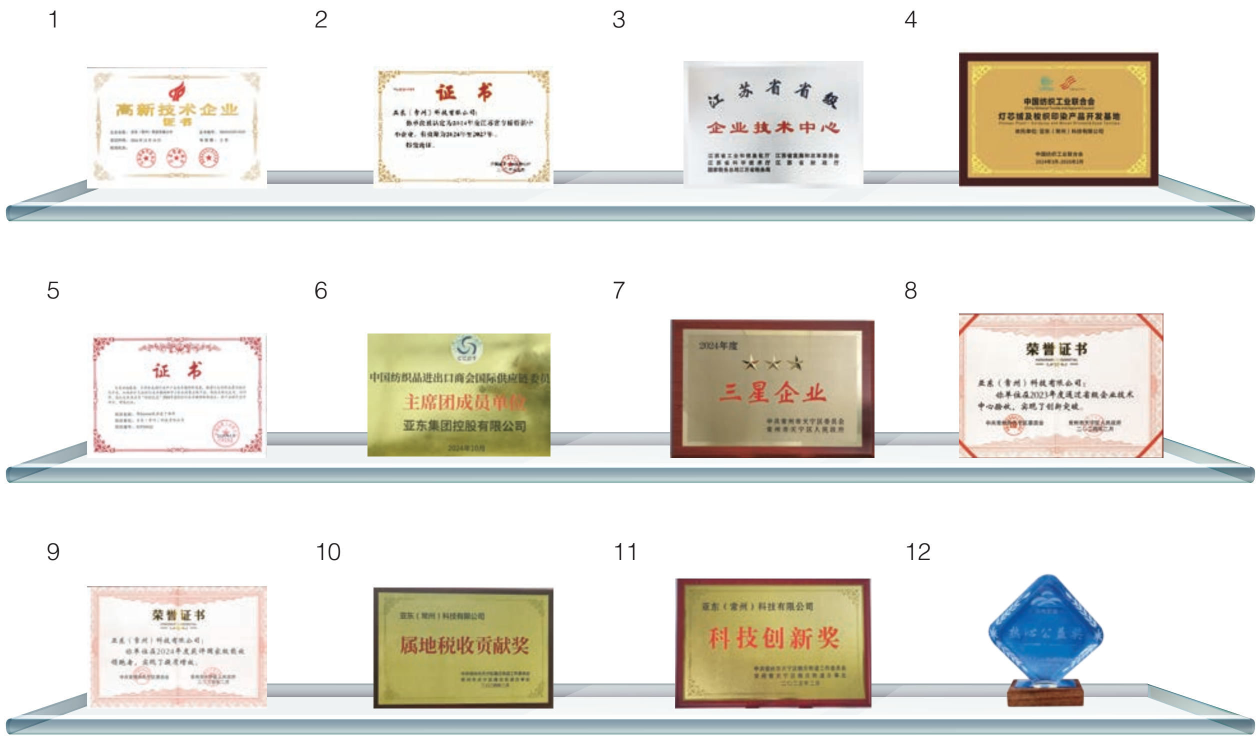
During the Year, we donated a batch of welfare materials to the Changzhou Children's Welfare Institution in order to convey the love and warmth of the society through practical actions. For five consecutive years, Yadong Technology has donated welfare materials to the Changzhou Children's Welfare Institution, and this is the sixth donation.

Children's Caring Walk — "The Stampede of a Bag of Milk"

Yadong (Changzhou) participated in the 11th "The Stampede of a Bag of Milk" in 2024, raising funds through the charity walk with the aim of enabling underprivileged children to have a bag of milk every day.

Appendix

Appendix I: Awards and Recognition



	Awards and Honours	Awarding Organisations
1	High-tech Enterprises	Jiangsu Provincial Department of Science and Technology
2	Jiangsu Province Specialised Small and Medium-sized Enterprises	Jiangsu Provincial Department of Industry and Information Technology
3	Enterprise Technology Centre	Jiangsu Provincial Department of Industry and Information Technology
4	Development Base for Corduroy and Woven Printing and Dyeing Products	China National Textile and Apparel Council
5	2024 Co-operation Project on Promotion of Specialised New Technology and New Products for the Textile Industry	China National Textile and Apparel Council
6	Members of the Presidium	International Supply Chain Committee, China Chamber of Commerce for Import & Export of Textiles
7	Three-star Enterprise	People's Government of Tianning District, Changzhou City
8	Provincial Enterprise Technology Centre	People's Government of Tianning District, Changzhou City
9	National Energy Efficiency Leader	People's Government of Tianning District, Changzhou City
10	Local Tax Contribution Award	Working Committee of Diao Zhuang Sub-district, Tianning District, Changzhou City, CPC
11	Technological Innovation Award	Working Committee of Diao Zhuang Sub-district, Tianning District, Changzhou City, CPC
12	Public Welfare Award	Chamber of Commerce of Diao Zhuang Sub-district, Tianning District, Changzhou City

Appendix II: Laws and Regulations

The Group ensures that its business operations comply with applicable laws and regulations, including but not limited to the following:

<table>
<tr><th>Aspect</th><th>Applicable Laws and Regulations</th><th>Statement of Compliance</th></tr>
<tr><td>Emissions</td><td>Environmental Protection Law of the People's Republic of China
Marine Environmental Protection Law of the People's Republic of China
Water Pollution Prevention and Control Law of the People's Republic of China
Atmospheric Pollution Prevention and Control Law of the People's Republic of China
The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste
Environmental Noise Pollution Prevention and Control Law of the People's Republic of China
The Regulations on the Safe Operation and Pollution Prevention of Ships in the People's Republic of China
Tianjin Municipal Air Pollution Prevention and Control Regulation
Emissions Pollution from Motor Vehicles and Moving Machinery Not on Roads in Tianjin City
Emergency Response Plan for Heavy Air Pollution in Tianjin City</td><td rowspan="3">During the Year, the Group did not have any violation of laws and regulations relating to emission of exhaust and greenhouse gases, discharge of water and land and generation of hazardous or non-hazardous waste which had a significant impact on the Group.

In addition, the Group does not have any problems in finding suitable water sources.</td></tr>
<tr><td>Use of Resources</td><td>The Law of the People's Republic of China on Energy Conservation
The Metrology Law of the People's Republic of China
The Water Law of the People's Republic of China</td></tr>
<tr><td>Environment and Natural Resources</td><td>The Clean Production Promotion Law of the People's Republic of China
The Emergency Response Law of the People's Republic of China
Environmental Impact Assessment Law of the People's Republic of China
Flood Control Regulations of the People's Republic of China</td></tr>
<tr><td>Employment and Labour Standards</td><td>The Labour Law of the People's Republic of China
The Labour Contract Law of the People's Republic of China
The Law of the People's Republic of China on the Protection of Disabled Persons
The Law of the People's Republic of China on the Protection of Women's Rights and Interests
The Trade Union Law of the People's Republic of China
Special Provisions on the Labour Protection of Female Employees
The Law of the People's Republic of China on the Protection of Minors
Provisions on Special Protection of Minors
Provisions on Prohibition of Child Labour</td><td>During the Year, the Group was not aware of any legal and regulatory matters relating to remuneration and dismissal, recruitment and promotion, hours of work, holidays, equal opportunities, anti-discrimination and other entitlements and benefits, prevention of child labour and compulsory labour that have a material impact on the Group.</td></tr>
</table>

Aspect	Applicable Laws and Regulations	Statement of Compliance
Health and Safety	Production Safety Law of the People's Republic of China The Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Provisions on the Administration of Occupational Health at Workplaces The National Plan for Prevention and Control of Occupational Diseases (2021–2025) Guidelines for Investigating and Managing Hidden Dangers in Safety Production Accidents	During the Year, the Group was not aware of any breaches of laws and regulations relating to the provision of a safe working environment and the protection of employees against occupational hazards that have a material impact on the Group.
Product Responsibility	The Product Quality Law of the People's Republic of China The Law of the People's Republic of China on Safe Production The Law of the People's Republic of China on the Protection of Consumer Rights The Intellectual Property Law of the People's Republic of China The Cybersecurity Law of the People's Republic of China The Regulations on the Security Protection of Computer Information Systems in the People's Republic of China Patent Law of the People's Republic of China The Law of the People's Republic of China on Tendering and Bidding	During the Year, the Group was not aware of any incidents of non-compliance in relation to health and safety, advertising, labelling and privacy matters and remedies in respect of the Group's products and services that had a material impact on the Group.
Anti-Corruption	The Criminal Law of the People's Republic of China The Anti-Unfair Competition Law of the People's Republic of China The Supervision Law of the People's Republic of China	During the Year, the Group was not aware of any legal or regulatory actions relating to bribery, extortion, fraud and money laundering that had a material impact on the Group.

Appendix III: Summary of Data Performance

Environmental Management

	2024	2023	2022
Resource Consumption			
Energy Consumption			
Total direct energy consumption (MWh)	**30,060**	24,530	27,152
Direct energy intensity (MWh/million revenue)	**27.87**	22.74	25.61
Petrol (litres)	**8,700**	6,800	2,971
Diesel (litres)	**6,489**	5,550	8,445
Natural gas (cubic metres)	**2,942,743**	2,401,376	2500,479
Total indirect energy consumption (MWh)	**149,398**	157,903	163,614
Indirect energy intensity (MWh/million revenue)	**138.51**	146,40	154.32
Purchased steam (tonnes)	**175,260**	180,939	189,323
Purchased electricity (kWh)	**12,835,364**	12,736,587	14,021,403
Renewable energy (kWh)	**679,721**	671,339	0
Water Resources			
Total water consumption (tonnes)	**793,271**	729,624	735,898
Water consumption intensity (tonnes)	**735.47**	676.45	694.10
Packaging Materials			
Total packaging materials used (tonnes)	**169**	266	281
Intensity of packaging material use (tonnes/million revenue)	**0.16**	0.25	0.27
Paper tubes (tonnes)	**84**	151	173
Simplified materials (tonnes)	**34**	52	48
Woven bags (tonnes)	**51**	63	60

	2024	2023	2022
Emission Control			
GHG Emissions			
Total GHG emissions (tCO_2e)	**67,100.07**	69,708.53	72,670.35
GHG emission intensity (tCO_2e)	**62.55**	64.63	68.54
Scope 1: Direct emissions (tCO_2e)	**6,402.96**	5,224.89	5,435.31
Scope 2: Indirect emissions (tCO_2e)	**60,697.11**	64,483.64	67,235.04
Exhaust gas			
Sulphur oxides (SOx) (kg)	**0.34**	0.11	0.18
Nitrogen oxides (NOx) (kg)	**601.63**	912.59	897.03
Particulate Matter (PM) (kg)	**859.51**	1,018.19	1,034.16
Sewage			
Sewage discharge (tonnes)	**721,385.11**	729,624	752,273
Waste			
Total Hazardous Waste Discharge (kg)	**7,075**	3,453	2,916
Hazardous Waste Emission Intensity (kg/million revenue)	**6.56**	3.20	2.75
Total Non-Hazardous Waste Discharge (tonnes)	**5,924**	5,590	4,240
Non-Hazardous Waste Emission Intensity (tonnes/million revenue)	**5.49**	5.18	4.00

Employee

	2024	2023	2022
Labour Distribution			
Total number of employees (person)	**569**	541	482
By Gender			
Male	**388**	373	330
Female	**181**	168	152
By Age			
Aged 30 and below	**53**	42	40
Aged 31–40	**129**	163	134
Aged 41–50	**212**	186	187
Aged over 50	**175**	150	121
By Employment Type			
Full-time	**565**	541	482
Part-time	**4**	0	0
By Region			
Mainland China	**565**	538	481
Hong Kong, Macau and Taiwan	**4**	3	1
By Position			
Senior Management	**6**	6	6
Middle Management	**37**	33	28
General Staff	**526**	502	448
Employee turnover rate (%)	**19.68**	17.19	18.26
By Gender			
Male	**22.42**	15.82	17.58
Female	**13.81**	20.24	19.74
By Age			
Aged 30 and below	**64.15**	52.38	52.50
Aged 31–40	**18.60**	17.79	11.19
Aged 41–50	**15.57**	10.75	18.72
Aged over 50	**12.00**	14.67	14.05
By Region			
Mainland China	**19.82**	17.29	18.30
Hong Kong, Macau and Taiwan	**0.00**	0.00	0.00

	2024	2023	2022
Staff Training[10]			
Number of employees trained (person)	**569**	541	482
Percentage of employees trained by gender (%)			
Male	**68.19**	68.95	68.46
Female	**31.81**	31.05	31.54
Percentage of employees trained by employment type (%)			
Senior Management	**1.06**	1.11	1.24
Middle Management	**6.50**	6.10	5.81
General Staff	**92.44**	92.79	92.95
Total training hours of employees (hour)	**7,800**	7,014	6,036
Average training hours per employee by gender			
Male	**15.08**	12.97	12.47
Female	**10.77**	12.96	12.63
Average training hours per employee by employment type			
Senior Management	**16.00**	13.33	12.00
Middle Management	**37.62**	12.12	12.00
General Staff	**12.00**	13.02	12.56
Health and Safety			
Occupational Safety and Health Performance			
Number of work-related fatalities in the past three years (person)	**0**	0	0
Rate of work-related fatalities in the past three years (%)	**0**	0	0
Lost days due to work injury (day)	**0**	0	0

Supplier Management

	2024	2023	2022
Supplier Management			
Total number of suppliers	**648**	650	647
Total number of suppliers by region			
Jiangsu (individual)	**440**	449	447
Other Provinces in Mainland China (individual)	**202**	198	197
Hong Kong, Macau and Taiwan (individual)	**2**	1	1
Overseas (individual)	**4**	2	2

10 Staff training data includes staff professional knowledge and skills training, occupational safety and health training and anti-corruption training.

Appendix III: HKEX ESG Reporting Guide Content Index

Mandatory Disclosure Requirements	Requirements of HKEX ESG Reporting Guide	Chapter/Note
Governance Structure	The statement issued by the Board includes the following content: (i) Disclose the Board's oversight of environmental, social, and governance matters; (ii) The Board's environmental, social, and governance management policies and strategies, including the process of evaluating, prioritizing, and managing significant ESG-related issues (including risks to the issuer's business); and (iii) How the Board reviews progress against ESG objectives and explains how they relate to the issuer's business operations.	Sustainable Development Governance
Reporting Principles	Describe and explain how the following reporting principles are applied when preparing environmental, social, and governance reports: (i) Materiality: Identifying, through necessary interactions, issues that are deemed crucial to sustainable development by various stakeholder groups (ii) Quantitative: The data is presented in a manner that facilitates the comparison of year-over-year performance changes. The performance data outlines the standards used for calculating environmental performance indicators (iii) Balance: Transparency is an essential consideration, and the report simultaneously provides information on both positive and negative impacts (iv) Consistency: Ensuring the consistency and comparability of data through the application of appropriate statistical methods	Sustainable Development Governance **Materiality:** Conducting substantive issue assessments to identify ESG issues that have a significant impact on the Group and their associated risks **Quantitative:** For the standards, methods, assumptions, and computational techniques used in the data presented in this report, please refer to the section "Summary of Data Performance" of this report **Balance:** The Group clearly articulates its performance in all aspects of sustainable development in an impartial and transparent manner **Consistency:** This report adopts the same statistical methods and domains as in previous years. Quantitative data is presented in a consistent manner to facilitate comparison and analysis by stakeholders
Reporting Scope	The scope of reporting in ESG reports is explained, along with the process of selecting which entities or businesses to include in the ESG reports. If there are changes in the scope of reporting, the issuer should explain the differences and the reasons for the changes.	Sustainable Development Governance

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
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.	Green Production — Response to Climate Change Green Production — Environmental Management System Appendix — Appendix II: Laws and Regulations
A1.1	The types of emissions and respective emissions data.	Green Production —Emissions Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Green Production — Response to Climate Change
A1.3	Total hazardous waste produced and intensity.	Green Production — Emissions Management
A1.4	Total non-hazardous waste produced and intensity.	Green Production — Emissions Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green Production — Response to Climate Change Green Production — Emissions Management
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.	Green Production — Emissions Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Production — Environmental Management System Green Production — Sustainable Management of Resources Green Production — Response to Climate Change
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Green Production — Response to Climate Change
A2.2	Water consumption in total and intensity.	Green Production — Sustainable Management of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Production — Response to Climate Change
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.	Green Production — Sustainable Management of Resources
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Green Production — Sustainable Management of Resources

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
A. Environmental		
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green Production — Environmental Management System
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Production — Green Factory Construction Green Production —Emissions Management
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.	Green Production — Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Production — Response to Climate Change
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.	Employee Care — Responsible Employment
B1.1	Total workforce by gender, employment type (for example, full-or parttime), age group and geographical region.	Employee Care — Responsible Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Care — Responsible 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.	Employee Care — Safety and Health
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Care — Safety and Health
B2.2	Lost days due to work injury	Employee Care — Safety and Health
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Care — Safety and Health

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
B. Social		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Care — Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Care — Training and Development
B3.2	The average training hours completed per employee by gender and employee category.	Employee Care — Training and Development
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.	Employee Care — Responsible Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Care — Responsible Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Care — Responsible Employment
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operation — Supply Chain Management
B5.1	Number of suppliers by geographical region.	Responsible Operation — Supply Chain Management
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.	Responsible Operation — Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
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.	Responsible Operation — Quality Assurance
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Responsible Operation — Quality Assurance
B6.2	Number of products and service-related complaints received and how they are dealt with.	Responsible Operation — Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Responsible Operation — R&D Innovation
B6.4	Description of quality assurance process and recall procedures.	Responsible Operation — Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Responsible Operation — R&D Innovation
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.	Responsible Operation — Integrity Construction
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.	Responsible Operation — Integrity Construction
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Responsible Operation — Integrity Construction
B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operation — Integrity Construction
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.	Give Back to Society
B8.1	Focus areas of contribution.	Give Back to Society
B8.2	Resources contributed to the focus area.	Give Back to Society

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House
311 Gloucester Road, Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF YADONG GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Yadong Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 97 to 162, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Expected credit loss ("ECL") of trade and bills receivables

Refer to note 20 to the consolidated financial statements and the accounting policies in note 3.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the Group had trade and bills receivables of approximately RMB292,120,000, net of accumulated loss allowance for ECL of approximately RMB997,000. Reversal of impairment loss of approximately RMB433,000 has been recognised during the year ended 31 December 2024. Loss allowance for trade and bills receivables is estimated based on lifetime ECL model, which is estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort. We have identified ECL of trade and bills receivables as a key audit matter because the amount is significant to the Group and the impairment assessment of trade and bills receivables involved a significant degree of management estimation and may be subject to management bias.	Our procedures were designed to review the management's judgement and estimates used in assessment process and challenge the reasonableness of inputs and assumptions used in estimating the ECL of trade and bills receivables. We obtained an understanding of how the ECL of trade and bills receivables were assessed by the management. We have challenged management's assumption and judgement in determining ECL on trade and bills receivables as at 31 December 2024, the reasonableness of management's grouping of the trade debtors in the provision matrix, and the basis of expected credit loss rates applied with reference to historical default rates and forward looking information. We have tested, on sample basis, payment history, past due status of the trade and bills receivables, and the settlements subsequent to the end of the reporting period.

Other Information

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

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

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

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

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cheung Wang Kei.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Cheung Wang Kei
Practising Certificate Number: P07788

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** **RMB'000**	2023 RMB'000
Revenue	5	**1,078,589**	1,078,628
Cost of sales		**(942,134)**	(939,776)
Gross profit		**136,455**	138,852
Other income	7	**9,373**	4,924
Selling and distribution expenses		**(35,759)**	(29,110)
Administrative expenses		**(56,261)**	(54,965)
Finance costs	8	**(11,832)**	(15,214)
Profit before tax		**41,976**	44,487
Income tax expenses	9	**(4,953)**	(9,953)
Profit for the year	10	**37,023**	34,534
Other comprehensive expense for the year:			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translating a foreign operation		**(3,351)**	(1,166)
Total comprehensive income for the year attributable to owners of the Company		**33,672**	33,368
Earnings per share			
Basic and diluted (RMB cents)	14	**6.17**	5.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current Assets			
Property, plant and equipment	15	**155,866**	145,930
Right-of-use assets	16	**40,429**	41,434
Intangible assets	17	**111**	222
Investment properties	18	**45,297**	46,824
Deferred tax assets	29	**379**	480
		242,082	234,890
Current Assets			
Inventories	19	**119,970**	122,312
Trade and bills receivables	20	**292,120**	274,116
Prepayments and other receivables	21	**110,012**	22,200
Amount due from a related company	22	**16,319**	—
Time deposits	23	**19,465**	66,745
Bank balances and cash	24	**65,021**	100,238
		622,907	585,611
Current Liabilities			
Trade and bills payables	25	**189,756**	155,511
Accruals and other payables	26	**49,032**	44,775
Contract liabilities	27	**2,124**	2,976
Income tax payable		**2,932**	9,383
Amount due to a related company	22	**—**	241
Lease liabilities	16	**3,307**	1,023
Borrowings	28	**237,046**	312,858
		484,197	526,767
Net current assets		**138,710**	58,844
Total assets less current liabilities		**380,792**	293,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current Liabilities			
Borrowings	28	**70,432**	507
Lease liabilities	16	**85**	—
Deferred tax liabilities	29	**17,012**	17,012
		87,529	17,519
Net assets		**293,263**	276,215
Capital and Reserves			
Share capital	33	**5,035**	5,035
Reserves	34	**288,228**	271,180
Total Equity		**293,263**	276,215

The consolidated financial statements on pages 97 to 162 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Xue Shidong **Jin Rongwei**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 33)	**Share premium** RMB'000	**Capital reserve** RMB'000 (Note 34(a))	**Exchange reserve** RMB'000	**Statutory reserve** RMB'000 (Note 34(b))	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2023	5,035	57,954	(4,313)	(2,532)	19,592	183,395	259,131
Profit for the year	—	—	—	—	—	34,534	34,534
Exchange difference arising on translating a foreign operation	—	—	—	(1,166)	—	—	(1,166)
Total comprehensive (expense) income for the year	—	—	—	(1,166)	—	34,534	33,368
Appropriation to statutory reserve	—	—	—	—	728	(728)	—
Dividends paid (note 13)	—	(16,284)	—	—	—	—	(16,284)
As at 31 December 2023	5,035	41,670	(4,313)	(3,698)	20,320	217,201	276,215
At 1 January 2024	**5,035**	**41,670**	**(4,313)**	**(3,698)**	**20,320**	**217,201**	**276,215**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**37,023**	**37,023**
Exchange difference arising on translating a foreign operation	**—**	**—**	**—**	**(3,351)**	**—**	**—**	**(3,351)**
Total comprehensive (expense) income for the year	**—**	**—**	**—**	**(3,351)**	**—**	**37,023**	**33,672**
Appropriation to statutory reserve	**—**	**—**	**—**	**—**	**507**	**(507)**	**—**
Dividends paid (note 13)	**—**	**(16,624)**	**—**	**—**	**—**	**—**	**(16,624)**
As at 31 December 2024	**5,035**	**25,046**	**(4,313)**	**(7,049)**	**20,827**	**253,717**	**293,263**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**41,976**	44,487
Adjustments for:		
Amortisation of intangible assets	**111**	138
Depreciation of property, plant and equipment ("**PPE**")	**20,275**	15,752
Depreciation of investment properties	**1,527**	1,527
Finance costs	**11,832**	15,214
(Reversal of impairment loss) impairment loss on trade and bills receivables	**(433)**	357
Depreciation of right-of-use assets	**7,468**	10,165
Loss on disposal of PPE	**736**	—
Government subsidies	**(675)**	(733)
Bank interest income	**(1,219)**	(1,176)
Operating cash flows before working capital changes	**81,598**	85,731
Decrease in inventories	**2,342**	66,649
Increase in trade and bills receivables	**(18,353)**	(92,797)
(Increase) decrease in prepayments and other receivables	**(33,511)**	19,485
Increase in trade and bills payables	**34,245**	16,216
Increase in accruals and other payables	**106**	684
(Decrease) increase in contract liabilities	**(852)**	1,313
Cash generated from operations	**65,575**	97,281
Income taxes paid	**(11,239)**	(1,447)
NET CASH FROM OPERATING ACTIVITIES	**54,336**	95,834
INVESTING ACTIVITIES		
Placement of time deposits	**(19,465)**	(66,745)
Payments for purchase of PPE	**(31,667)**	(34,251)
Net cash outflow on acquisition of subsidiary	**—**	(17,997)
Payments for purchase of intangible assets	**—**	(137)
Proceeds received from disposal of PPE	**720**	—
Advance to a related company	**(16,319)**	—
Interests received	**1,219**	1,176
Payment of refundable deposit for potential investments	**(55,690)**	—
Withdrawal of time deposits	**66,745**	65,164
NET CASH USED IN INVESTING ACTIVITIES	**(54,457)**	(52,790)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**307,478**	313,365
Government subsidies received	**675**	733
Repayment to a related company	**(241)**	(3,488)
Repayment from a related company	**—**	1,419
Dividends paid	**(11,599)**	(5,299)
Payments of lease liabilities	**(4,276)**	(7,862)
Interests paid	**(12,449)**	(14,183)
Repayments of borrowings	**(313,365)**	(288,346)
NET CASH USED IN FINANCING ACTIVITIES	**(33,777)**	(3,661)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(33,898)**	39,383
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**100,238**	61,413
Effect of foreign exchange rate changes	**(1,319)**	(558)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**65,021**	100,238

1. Corporate Information

Yadong Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 22 September 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 November 2020 (the "**Listing**"). Its immediate and ultimate holding company is Oriental Ever Holdings Limited ("**Oriental Ever Holdings**"), a company with limited liability incorporated in the British Virgin Islands (the "**BVI**"). Oriental Ever Holdings is wholly and directly owned by Mr. Xue Liang, who is the son of a director of the Company, Mr. Xue Shidong (the "**Controlling Shareholder**").

The address of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at No. 381 Laodong East Road, Tianning District, Changzhou, Jiangsu Province, China.

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in sales of fabrics products and provision of dyeing and processing services. Particulars of the subsidiaries have been set out in note 39.

The consolidated financial statements are presented in Renminbi ("**RMB**") which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management — defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future consolidated financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

3. Material Accounting Policy Information

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policy information are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income or expenses of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. Material Accounting Policy Information (Continued)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

The Group recognised revenue from the following major sources:

- sales of plain weave fabrics and corduroy fabrics
- provision of dyeing and processing services

The revenue from the sale of plain weave fabrics and corduroy fabrics are recognised at a point in time when the control of products is transferred to the customer upon delivery.

3. Material Accounting Policy Information (Continued)

Revenue from contracts with customers (Continued)

The revenue from the provision of dyeing and processing services is recognised according to the terms of service contracts. The terms of these contracts do not create an enforceable right to payment for the performance completed to date. Accordingly, such revenue is recognised at a point in time when the control of the final products is transferred to the customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

3. Material Accounting Policy Information (Continued)

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Retirement benefits costs

Payments to the People's Republic of China (the "**PRC**") state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("the **MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Material Accounting Policy Information (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, for provisions for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred, the Group applies HKAS 12 requirement to lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss.

3. Material Accounting Policy Information (Continued)

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

The Group's intangible assets are all separately acquired computer software, with finite useful lives of five years and are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

3. Material Accounting Policy Information (Continued)

Investment properties

Investment properties are properties held to earn rentals. Investment properties include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property held by the Group as a right-of-use asset is measured initially at cost in accordance with HKFRS 16.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment. If an investment property becomes an property under development for sale in the ordinary course of business when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an property under development.

3. Material Accounting Policy Information (Continued)

Impairment losses on property, plant and equipment, right-of-use assets, intangible asset and investment properties

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and investment properties with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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 the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. Material Accounting Policy Information (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Leasing

Definition of a lease

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

The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. Material Accounting Policy Information (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Material Accounting Policy Information (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

The Group applies HKAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to sale and leaseback transactions. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. Material Accounting Policy Information (Continued)

Leasing (Continued)

The Group as lessor (Continued)

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9 Financial Instruments. Right of use asset and lease liability are subsequently measured in accordance with the general requirements under HKFRS 16 Leases. In measuring the lease liability, the Group determines "lease payments" or "revised lease payments" (including both lease payments that are fixed or variable) in a way that the Group would not recognise any amount of the gain or loss that relates to the right of use assets retained by the Group.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset 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.

Amortised cost and effective interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Amortised cost and effective interest income (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 "Financial Instruments"

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, amounts due from a related company, time deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The Group determines the ECL collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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 as at the reporting date with the risk of a default occurring on the financial instrument as 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the debtor 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 fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

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 receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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).

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.

Credit-impaired financial assets

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and bills receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Except the ECL on the amount due from a related company is determined on an individual basis, ECL on other financial assets are determined collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial Liabilities and Equity Instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination or (2) held-for-trading, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

4. Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated depreciation and useful lives of property, plant and equipment and right-of-use assets

The directors of the Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions or useful lives suggested by State Administration of Taxation of the PRC. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors of the Company will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2024 amounted to approximately RMB155,866,000 (2023: RMB145,930,000) and RMB40,429,000 (2023: RMB41,434,000) respectively.

Estimated impairment of property, plant and equipment and right-of-use assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined if there is indication that those assets may be impaired. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2024 amounted to approximately RMB155,866,000 (2023: RMB145,930,000) and RMB40,429,000 (2023: RMB41,434,000) respectively. No accumulated impairment loss was recognised for property, plant and equipment and right-of-use assets as at 31 December 2024 and 2023.

ECL of trade and bills receivables

The management of the Group uses provision matrix to estimate the lifetime ECL for the trade and bills receivables. The ECL of trade and bills receivables are estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 20.

As at 31 December 2024, the Group had trade and bills receivables of approximately RMB292,120,000 (2023: RMB274,116,000), net of accumulated loss allowance for ECL of approximately RMB997,000 (2023: RMB1,430,000). Reversal of impairment loss of RMB433,000 (2023: Impairment loss of RMB357,000) has been recognised during the year ended 31 December 2024.

4. Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

As at 31 December 2024, the carrying amount of inventories was approximately RMB119,970,000 (2023: RMB122,312,000). No impairment of inventories was recognised during the years ended 31 December 2024 and 2023.

5. Revenue

Revenue represents the amounts received and receivable arising from sales of fabric products and provision of dyeing and processing services, net of sales related taxes for the year. The Group's revenue is recognised at a point in time. An analysis of the Group's revenue disaggregated by major products or service lines is as follows:

	2024 **RMB'000**	2023 RMB'000
Sales of plain weave fabrics	**894,857**	875,010
Sales of corduroy fabrics	**140,887**	159,476
Provision of dyeing and processing services	**42,845**	44,142
	1,078,589	1,078,628

6. Segment Information

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in sales of fabrics products and provision of dyeing and processing services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

6. Segment Information (Continued)

Geographical information

The Group's manufacturing and operations are all located in the PRC. Non-current assets of the Group are all located in the PRC.

An analysis of the Group's revenue from external customers is presented based on the location of customers.

	Revenue from external customers	
	2024	2023
	RMB'000	RMB'000
The PRC	**800,998**	822,986
Bangladesh	**110,711**	96,994
Vietnam	**72,855**	41,689
Japan	**27,659**	30,976
Others	**66,366**	85,983
	1,078,589	1,078,628

Information about major customers

There are no customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2024 and 2023.

7. Other Income

	2024	2023
	RMB'000	RMB'000
Bank interest income	**1,219**	1,176
Exchange gain, net	**2,880**	1,319
Government subsidies (note i)	**675**	733
Rental income (note ii)	**3,685**	1,690
Reversal of impairment loss on trade and bill receivables	**433**	—
Sundry income	**481**	6
	9,373	4,924

7. Other Income (Continued)

Notes:

(i) The government subsidies represent the one-off government subsidies that were received from local government authorities of which the entitlements were unconditional and under the discretion of the relevant authorities. The amounts were therefore immediately recognised as other income during the years ended 31 December 2024 and 2023.

(ii) An analysis of Group's net rental income is as follows:

	2024 **RMB'000**	2023 RMB'000
Gross rental income from investment properties	**3,685**	1,690
Less:		
— direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	**(670)**	(491)
— direct operating expenses incurred for investment properties that did not generated rental income during the year (included in administrative expenses)	**(500)**	(288)
	2,515	911

8. Finance Costs

	2024 **RMB'000**	2023 RMB'000
Interests on:		
Borrowings	**11,650**	14,927
Lease liabilities	**182**	287
	11,832	15,214

9. Income Tax Expenses

	2024 **RMB'000**	2023 RMB'000
Current tax:		
Hong Kong Profits Tax	**7,388**	6,220
PRC Enterprise Income Tax ("**EIT**")	**—**	2,536
	7,388	8,756
Over - provision in respect of prior years	**(2,536)**	—
	4,852	8,756
Deferred tax (note 29)	**101**	1,197
	4,953	9,953

Notes:

(i) Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

(ii) Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the years ended 31 December 2024 and 2023, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iii) Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory EIT rate of Yadong (Changzhou) Science and Technology Co., Ltd. (**"Yadong (Changzhou)**"), a subsidiary of the Group established in PRC is 25% for both years. In December 2024, Yadong (Changzhou) obtained a high-tech enterprise certificate and is subject to EIT at a reduced rate of 15% for three years from 2024 to 2026.

(iv) A tax concession of 100% was granted to the Group under Hong Kong tax jurisdiction which is subject to a ceiling of HK$1,500 per company for the year ended 31 December 2024.

9. Income Tax Expenses (Continued)

The income tax expenses for the years ended 31 December 2024 and 2023 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 **RMB'000**	2023 RMB'000
Profit before tax	**41,976**	44,487
Tax at the domestic income tax rate of 25% (2023: 25%)	**10,494**	11,122
Tax effect of expenses not deductible for tax purpose	**770**	1,739
Tax effect of income not taxable for tax purpose	**(21)**	(13)
Tax effect of a lower tax rate in the PRC	**278**	—
Effect of two-tiered profits tax rates regime	**(152)**	(150)
Hong Kong Profits Tax concession	**(1)**	—
Additional tax deduction for research and development expenses	**(5,267)**	—
Tax effect of tax losses not recognised	**5,385**	—
Withholding tax on undistributed earnings of a PRC subsidiary (note 29)	**—**	486
Over-provision in prior years	**(2,536)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,997)**	(3,231)
Income tax expenses	**4,953**	9,953

10. Profit for the Year

	2024 **RMB'000**	2023 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	**3,725**	3,257
Salaries, allowances and other benefits (excluding directors' emoluments)	**70,835**	56,801
Contributions to retirement benefits scheme (excluding directors' emoluments)	**8,213**	8,342
Total staff costs	**82,773**	68,400
Auditor's remuneration	**1,027**	1,249
Amortisation of intangible assets	**111**	138
Amount of inventories recognised as an expense	**904,449**	899,340
Loss on disposal of property, plant and equipment	**736**	—
Depreciation of property, plant and equipment	**20,275**	15,752
Depreciation of right-of-use assets	**7,468**	10,165
Depreciation of investment properties	**1,527**	1,527
Research and development costs recognised as an expense (note a)	**35,113**	31,053
(Reversal of impairment loss) impairment loss on trade and bills receivables	**(433)**	357

Note (a): Included in research and development expenses w`as staff costs of approximately RMB15,782,000 (2023: RMB12,512,000) which has been included in staff costs.

11. Directors' Emoluments

Details of directors' emoluments are as follows:

	Fees RMB'000	Discretionary performance related bonus RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Year ended 31 December 2024					
Executive Directors					
Mr. Xue Shidong (薛士東)	**—**	**435**	**607**	**—**	**1,042**
Ms. Zhang Yeping (張葉萍)	**92**	**103**	**480**	**—**	**675**
Mr. Wang Bin (王斌)	**—**	**548**	**481**	**34**	**1,063**
Mr. Jin Rongwei (金榮偉)	**—**	**91**	**487**	**34**	**612**
Mr. Xiang Wenbin (香文斌)	**—**	**—**	**—**	**—**	**—**
Independent non-executive Directors					
Mr. Ho Kin Cheong Kelvin (何建昌)	**111**	**—**	**—**	**—**	**111**
Mr. Zhu Qi (朱旗)	**111**	**—**	**—**	**—**	**111**
Mr. Wang Hongliang (王洪亮)	**111**	**—**	**—**	**—**	**111**
	425	**1,177**	**2,055**	**68**	**3,725**
Year ended 31 December 2023					
Executive Directors					
Mr. Xue Shidong (薛士東)	—	240	606	6	852
Ms. Zhang Yeping (張葉萍)	90	240	370	—	700
Mr. Wang Bin (王斌)	—	240	455	34	729
Mr. Jin Rongwei (金榮偉)	—	240	375	34	649
Mr. Xiang Wenbin (香文斌)	—	—	—	—	—
Independent non-executive Directors					
Mr. Ho Kin Cheong Kelvin (何建昌)	109	—	—	—	109
Mr. Zhu Qi (朱旗)	109	—	—	—	109
Mr. Wang Hongliang (王洪亮)	109	—	—	—	109
	417	960	1,806	74	3,257

11. Directors' Emoluments (Continued)

Notes:

(i) The executive directors' emoluments shown above were mainly paid for their services as a director in connection with the management of the affairs of the Company and the Group. The discretionary bonus for the years ended 31 December 2024 and 2023 were determined by the board of directors with reference to the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The independent non-executive directors' emoluments shown above were mainly paid for their services as a director.

No directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023. No emoluments were paid by the Group to any of these directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

No chief executive was appointed during the years ended 31 December 2024 and 2023.

12. Employees' Emoluments

In 2024, four (2023: three) of the five individuals with the highest emoluments in the Group were the directors of the Company, whose emoluments are set out in note 11 above. The emoluments of the remaining highest paid individuals were as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and other benefits	**845**	1,463
Contributions to retirement benefits scheme	**34**	68
	879	1,531

Their emoluments were within the following band:

	2024 Number of individuals	2023 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately: 31/12/2024: Nil to RMB924,000 31/12/2023: Nil to RMB905,000)	**1**	2

No emoluments were paid by the Group to any of the five highest paid individuals of the Group including the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

13. Dividends

During the year ended 31 December 2024, a final dividend of HK3.0 (2023: HK3.0) cents per ordinary share, in an aggregate amount of HK$18,000,000 (equivalent to approximately RMB16,624,000) (2023: HK$18,000,000 (equivalent to approximately RMB16,284,000) in respect of the year ended 31 December 2023 and 2022 was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no dividend has been proposed (2023: a final dividend of HK3.0 cents per share).

14. Earnings Per Share

The calculation of the basic earnings per share during the years ended 31 December 2024 and 2023 is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	2024 **RMB'000**	2023 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**37,023**	34,534
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**600,000**	600,000

Diluted earnings per share

Diluted earnings per share is as same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2024 and 2023.

15. Property, Plant and Equipment

	Leasehold improvement RMB'000	Plant and machineries RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Building RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2023	20,074	115,999	1,215	4,551	2,635	39,731	2,302	186,507
Additions	17,159	11,098	230	2,898	99	—	2,767	34,251
Transfer from construction in progress	2,075	2,079	—	—	—	—	(4,154)	—
At 31 December 2023 and 1 January 2024	39,308	129,176	1,445	7,449	2,734	39,731	915	220,758
Additions	11,758	15,248	—	—	175	—	4,486	31,667
Transfer from construction in progress	—	211	—	—	—	—	(211)	—
Elimination on disposal	—	(3,577)	—	(1,834)	—	—	—	(5,411)
At 31 December 2024	51,066	141,058	1,445	5,615	2,909	39,731	5,190	247,014
ACCUMULATED DEPRECIATION								
At 1 January 2023	5,438	48,607	670	2,375	1,732	254	—	59,076
Charge for the year	3,759	9,302	73	919	272	1,427	—	15,752
At 31 December 2023 and 1 January 2024	9,197	57,909	743	3,294	2,004	1,681	—	74,828
Charge for the year	6,674	10,738	104	1,066	264	1,429	—	20,275
Elimination on disposal	—	(2,676)	—	(1,279)	—	—	—	(3,955)
At 31 December2024	15,871	65,971	847	3,081	2,268	3,110	—	91,148
CARRYING VALUES								
At 31 December 2024	35,195	75,087	598	2,534	641	36,621	5,190	155,866
At 31 December 2023	30,111	71,267	702	4,155	730	38,050	915	145,930

15. Property, Plant and Equipment (Continued)

(i) The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following basis:

Leasehold improvement	3 to 10 years or over lease term whichever is shorter
Plant and machineries	3 to 5 years
Furniture and fixture	5 years
Motor vehicles	5 years
Office equipment	5 years
Building	30 years

(ii) The Group has pledged building of approximately RMB36,621,000 (2023: certain of its machineries and building with carrying its value of approximately RMB26,925,000 and RMB38,050,000 respectively) as at 31 December 2024 to secure general banking facilities granted to the Group. Details of which are set out in notes 28 and 31.

(iii) During the years ended 31 December 2024 and 2023, the Group entered into sales and leaseback agreements. Pursuant to which, the Group sells certain machineries to a financial institution, which shall then be leased back for use by the Group, with the lease period of two years from the date of inception. Upon expiry of the lease term, the Group has the right to repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB1,000. The Group continues to recognise these machineries and the transfer proceeds were recognised as secured other borrowings as set out in note 28.

16. Leases

(i) Right-of-use assets

	2024	2023
	RMB'000	RMB'000
Land	**37,116**	38,564
Factory, warehouse and office	**3,313**	130
Machineries	**—**	2,740
	40,429	41,434

The additions to right-of-use assets for the year ended 31 December 2024 amounted to approximately RMB6,456,000 (2023: nil) due to the new leases of factory, warehouse and offices. Included in the additions to the right-of-use assets is a new lease with a related company, Changzhou Dongxia Real Estate Agency Ltd.* (常州市東霞房地產代理有限公司) ("**Dongxia**"), which is beneficially owned by Mr. Xue Shidong, the director of the Company, amounted to approximately RMB6,214,000 (2023: nil).

The right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

The right-of-use assets of land represent land use right located in the PRC with a useful life of 28 years and the leases of factory, warehouse and office and machineries located in the PRC and Hong Kong with lease terms are 24 months.

In respect of leases arrangement for renting machineries, the Group has options to purchase machineries for a nominal amount at the end of the lease term. The Group's obligations are secured by lessors' title to the leased assets for such leases.

The Group has pledged the land with carrying value of approximately RMB37,116,000 as at 31 December 2024 (2023: RMB38,564,000) to secure general banking facilities granted to the Group. For the details, please refer to notes 28 and 31.

* The English name is for identification only

16. Leases (Continued)

(ii) Lease liabilities

	2024 RMB'000	2023 RMB'000
Analysed as:		
Current portion	**3,307**	1,023
Non-current portion	**85**	—
	3,392	1,023

	2024 RMB'000	2023 RMB'000
Amounts payable under lease liabilities		
Within one year	**3,307**	1,023
After one year but within two years	**85**	—
	3,392	1,023
Less: Amount due for settlement within 12 months (Shown under current liabilities)	**(3,307)**	(1,023)
Amount due for settlement after 12 months	**85**	—

The weighted average incremental borrowing rate is 5.50% (2023: 8.28%).

(iii) Amounts recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Depreciation expense on right-of-use-assets		
— Land	**1,448**	1,447
— Factory, warehouse and office	**3,280**	5,489
— Machineries	**2,740**	3,229
Interest expense on lease liabilities	**182**	287

During the year ended 31 December 2024, the total cash outflows for lease was approximately RMB4,276,000 (2023: RMB7,862,000).

The Group had no expenses relating to variable lease payments not included in the measurement of the lease liability or leases of low value assets or short term lease during the years ended 31 December 2024 and 2023. All lease payments are fixed payments.

As at 31 December 2024, certain right-of-use assets (i.e. factory and warehouse) of RMB3,107,000 (2023: nil) is leased from Dongxia. The lease payment was based on mutually agreed terms with reference to market rates.

17. Intangible Assets

	Computer software RMB'000
COST	
At 1 January 2023	873
Additions	137
At 31 December 2023, 1 January 2024 and 31 December 2024	1,010
AMORTISATION	
At 1 January 2023	650
Charge for the year	138
At 31 December 2023 and 1 January 2024	788
Charge for the year	111
At 31 December 2024	899
CARRYING VALUES	
At 31 December 2024	111
At 31 December 2023	222

The above intangible assets were acquired from third party and have finite useful live. Such intangible assets are amortised on a straight-line basis over five years.

18. Investment Properties

	Land and Building RMB'000
COST	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	51,174
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 January 2023	2,823
Provided for the year	1,527
At 31 December 2023 and 1 January 2024	4,350
Provided for the year	1,527
At 31 December 2024	5,877
CARRYING VALUES	
At 31 December 2024	45,297
At 31 December 2023	46,824

The fair value of the Group's investment properties as at 31 December 2024 was RMB59,000,000 (2023: RMB59,100,000). The fair value has been arrived at based on a valuation carried out by Cushman & Wakefield ("**Cushman & Wakefield**"), a member of Hong Kong Institute of Surveyors by market comparison approach with reference to the prices for similar properties in the similar locations and conditions. The valuation of the fair value of the investment properties is grouped into fair value hierarchy Level 3. In estimating the fair value of the investment properties, the highest and best use of fair value hierarchy is its current use.

There were no transfers between levels of fair value hierarchy during the year.

The investment properties are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

The land of investment properties represent land use right located in the PRC for with a useful life of 43 years and the building of investment properties located in the PRC with useful life of 43 years.

The Group has pledged the investment properties with carrying value of approximately RMB45,297,000 as at 31 December 2024 (2023: RMB46,824,000) to secure general banking facilities granted to the Group. For the details, please refer to notes 28 and 31.

19. Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	**21,016**	33,887
Work in progress	**59,229**	46,900
Finished goods	**39,725**	41,525
	119,970	122,312

20. Trade and Bills Receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**267,082**	255,540
Bills receivables	**26,035**	20,006
Less: Allowance for impairment of trade and bills receivables	**(997)**	(1,430)
	292,120	274,116

As at 31 December 2024, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB293,117,000 (2023: RMB275,546,000).

The Group allows credit period of up to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2024 RMB'000	2023 RMB'000
Within 30 days	**216,631**	205,476
31 to 60 days	**44,349**	51,827
61 to 90 days	**24,295**	10,441
91 to 180 days	**6,845**	6,372
Total	**292,120**	274,116

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for trade and bills receivables in grouped based on shared credit risk characteristics as at 31 December 2024 and 2023.

20. Trade and Bills Receivables (Continued)

Impairment assessment on trade and bills receivables subject to ECL model

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due ageing status is not further distinguished between the Group's different customer bases.

There has been no change in the estimation techniques or significant assumption made during the years ended 31 December 2024 and 2023.

The Group recognised lifetime ECL for trade and bills receivables based on past due ageing status as follows:

	Weighted average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2024			
Current (not past due)	**0.33%**	**278,321**	**927**
Less than 30 days	**0.45%**	**12,789**	**57**
31 to 60 days	**0.56%**	**1,998**	**11**
61 to 90 days	**0.67%**	**5**	**1**
91 to 180 days	**0.78%**	**4**	**1**
		293,117	**997**
As at 31 December 2023			
Current (not past due)	0.50%	268,101	1,352
Less than 30 days	0.59%	2,923	17
31 to 60 days	0.69%	1,537	11
61 to 90 days	0.97%	209	2
91 to 180 days	1.73%	2,776	48
		275,546	1,430

20. Trade and Bills Receivables (Continued)

The movement in the impairment loss of trade and bills receivables during the years ended 31 December 2024 and 2023 is as follows:

	Impairment loss allowance RMB'000
Balance as at 1 January 2023	1,073
Impairment loss recognised	357
Balance as at 31 December 2023	1,430
Reversal of impairment loss	(433)
Balance as at 31 December 2024	997

The decrease in loss allowance during the year ended 31 December 2024 was mainly due to the decrease in weighted average expected credit loss rates resulting from the change in risk parameters including the probability of default.

21. Prepayments and Other Receivables

	2024 **RMB'000**	2023 RMB'000
Refundable deposit for potential investments (note a)	**55,690**	—
Prepayments to suppliers	**41,270**	17,684
Other tax recoverables	**3,591**	455
Others receivables	**9,461**	4,061
	110,012	22,200

Note a: As at 31 December 2024, a refundable deposit of USD7.6 million (equivalent to approximately RMB55,690,000) was paid to an independent third party for potential investments associated with prospective business expansion in Southeast Asia.

Note b: ECL on other receivables are insignificant as they are low risk of default and no significant increase in credit risk as at 31 December 2024 and 2023.

22. Amounts Due From/To a Related Company

The amounts due from/to a related company is unsecured, non-interest bearing, repayable on demand and non-trade in nature.

The management considered that the amount due from a related company to be low credit risk and thus no impairment provision is recognised during the year ended 31 December 2024.

23. Time Deposits

As at 31 December 2024, the Group had fixed-term time deposits in banks in the PRC with maturity of more than three months but less than one year. The deposit carries fixed interests rate at 0.35% per annum (2023: 0.35% to 2.1% per annum).

Included in the time deposits is the following amount denominated in a currency other than the functional currency of relevant group entity:

	2024 **RMB'000**	2023 RMB'000
HK$	**19,465**	18,758

24. Bank Balances and Cash

At 31 December 2024, bank balances earned interest at floating rates based on daily bank deposit rates ranging from 0.05% to 0.35% per annum (2023: 0.01% to 0.35% per annum).

Included in the bank balances and cash is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2024 **RMB'000**	2023 RMB'000
HK$	**1,277**	4,029
US$	**18,478**	21,955
	19,755	25,984

25. Trade and Bills Payables

	2024 RMB'000	2023 RMB'000
Trade payables	**189,756**	140,461
Bills payables	**—**	15,050
	189,756	155,511

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	2024 RMB'000	2023 RMB'000
Within 30 days	**140,322**	106,959
31 to 60 days	**28,385**	19,820
61 to 90 days	**10,990**	9,427
91 to 180 days	**9,594**	14,407
181 to 365 days	**301**	3,647
Over 365 days	**164**	1,251
Total	**189,756**	155,511

The average credit period on purchases of goods is ranging from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. Accruals and Other Payables

	2024 **RMB'000**	2023 RMB'000
Accrued salaries (note a)	**14,750**	11,811
Consideration payable (note b)	**—**	3,003
Accrued expenses	**3,443**	3,379
Interest payables	**401**	1,200
Dividend payable	**29,630**	24,605
Others	**808**	777
	49,032	44,775

Notes:

(a) Accrued salaries included emoluments payable to the directors of the Company amounting to approximately RMB1,680,000 (2023: RMB1,222,000) as at 31 December 2024.

(b) The consideration payable of approximately RMB3,003,000 in 2023 represented the payment pursuant to the sale and purchase agreement with the vendor of Lion Union (Changzhou) Textile Dyeing Company Limited ("**Lion Union**"). The amount is settled during the year ended 31 December 2024.

Included in the other payables denominated is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2024 **RMB'000**	2023 RMB'000
HK$	**—**	3,685

27. Contract Liabilities

	2024	2023
	RMB'000	RMB'000
Contract liabilities	**2,124**	2,976

Contract liabilities represent advances received from customers related to sales of fabric products.

Movements in the contract liabilities during the years ended 31 December 2024 and 2023 are as follows:

	2024	2023
	RMB'000	RMB'000
At the beginning of year	**2,976**	1,663
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(2,976)**	(1,663)
Increase in contract liabilities as a result of cash received, excluding amounts recognised during the year	**2,124**	2,976
At the end of year	**2,124**	2,976

28. Borrowings

	2024 RMB'000	2023 RMB'000
Current		
Bank borrowings, secured	**125,600**	173,390
Bank borrowings, unsecured	**93,000**	137,000
Other borrowings, secured	**18,446**	2,468
	237,046	312,858
Non-current		
Bank borrowings, secured	**57,790**	—
Other borrowings, secured	**12,642**	507
	70,432	507
	307,478	313,365
Analysed as:		
Secured bank borrowings	**183,390**	173,390
Secured other borrowings	**31,088**	2,975
Unsecured bank borrowings	**93,000**	137,000
	307,478	313,365

As at 31 December 2024, revolving and non-revolving term loans of approximately RMB115,390,000 and RMB68,000,000 (2023: RMB173,390,000 and nil), carried fixed interest rate ranging from 3.45% to 3.9% per annum (2023: 3.9% to 4.5% per annum), are secured by the Group's certain right-of-use assets, buildings and investment properties (2023: right-of-use assets, machineries, buildings and investment properties).

As at 31 December 2024, the unsecured bank borrowings and the related banking facilities of approximately RMB93,000,000 (2023: RMB137,000,000), carried fixed interest ranging from 3.45% to 3.6% per annum (2023: 3.45% to 4.5% per annum) are guaranteed by (i) an independent financial guarantee company, (ii) an independent supplier, and (iii) Mr. Xue Shidong, a director of the Group.

During the year ended 31 December 2024, the Group obtained new bank borrowings in the amount of RMB276,390,000 (2023: RMB310,390,000) for working capital purpose. Bank borrowings of RMB218,600,000 (2023: RMB310,390,000) are all repayable within one year based on scheduled repayment dates set out in the loan agreements and contain no repayable on demand clause. Bank borrowings of RMB57,590,000 (2023: nil) are all repayable in 2026 and contain no repayable on demand clause.

28. Borrowings (Continued)

As at 31 December 2024, the other borrowings were under sales and leaseback agreements and secured by the Group's machineries with net carrying values of approximately RMB25,960,000 (2023: RMB14,461,000), carried fixed interest ranging from 1.35% to 2.49% per annum (2023: 1.7% to 2.1% per annum). Approximately RMB18,446,000 (2023: RMB2,468,000) and RMB12,642,000 (2023: RMB507,000) are repayable within one year and after one year but within two years respectively based on scheduled repayment dates set out in the agreements and contain no repayable on demand clause.

The amounts of banking facilities and the utilisation as at 31 December 2024 and 2023 are set out as follows:

	2024 RMB'000	2023 RMB'000
Facility amount	**280,186**	313,390
Utilisation		
Secured bank borrowings	**183,390**	173,390
Unsecured bank borrowings	**93,000**	137,000
	276,390	310,390

Details of pledged of assets are set out in note 31.

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2024 RMB'000	2023 RMB'000
Within one year or on demand	**237,046**	312,858
After one year but within two years	**70,432**	507
	307,478	313,365

29. Deferred Tax Assets (Liabilities)

The following is the analysis of the deferred tax assets (liabilities), for financial reporting purposes:

	2024 **RMB'000**	2023 RMB'000
Deferred tax assets	**379**	480
Deferred tax liabilities	**(17,012)**	(17,012)
	(16,633)	(16,532)

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2024 and 2023:

	Withholding tax on undistributed profit of a PRC subsidiary RMB'000 (Note)	**Allowance of ECL** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2023	(16,526)	270	921	(15,335)
(Charge) credit to consolidated profit or loss	(486)	89	(800)	(1,197)
At 31 December2023 and 1 January2024	(17,012)	359	121	(16,532)
Charge to consolidated profit or loss	—	(65)	(36)	(101)
At 31 December 2024	(17,012)	294	85	(16,633)

Note: Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Deferred taxation has been provided in respect of the temporary differences associated with the undistributed profits earned by a PRC subsidiary, Yadong (Changzhou) at the applicable withholding tax of 10%.

At the end of the reporting period, the Group has estimated unused tax losses of approximately RMB56,768,000 (2023: RMB20,871,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB56,768,000 (2023: RMB20,871,000) that can be carried forward for five years from the year in which the respective loss arose.

30. Retirement Benefits Plan

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by the Company's directors and employees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage ranged from 1%-15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB8,281,000 (2023: RMB8,416,000) represents contributions payable to these schemes by the Group for the year ended 31 December 2024.

There were no contributions forfeited by the Group on behalf of its employees who left the schemes prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2024 and 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

31. Pledge of Assets

At 31 December 2024 and 2023, the Group had pledged the following assets to secure banking facilities granted to the Group:

	2024 **RMB'000**	2023 RMB'000
Building	**36,621**	38,050
Machineries	**—**	26,925
Right-of-use assets	**37,116**	38,564
Investment properties	**45,297**	46,824
	119,034	150,363

32. Share-Based Payment Transactions

Share-option scheme

During the year ended 31 December 2020, the Company has adopted a share option scheme (the "**Share Option Scheme**") upon Listing. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The maximum number of unexercised share options issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from 21 October 2020 (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) (the "**Adoption Date**") must not in aggregate exceed 10% of all the shares in issue as at the Listing. Therefore, it is expected that the Company may grant options in respect of up to 60,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 60,000,000 shares from time to time) to the participants under the Share Option Scheme.

Share options granted to a Director, chief executive or substantial shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option). In addition, any grant of share options to a substantial shareholder or an independent non-executive Director (or any of their respective close associates), in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company's shares quoted on the Stock Exchange at the date of grant) in excess of HK$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders' approval in a general meeting.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option of the Company. During the years ended 31 December 2024 and 2023, no options were granted under the Share Option Scheme.

33. Share Capital

Share capital of the Company

	Number of share		Amount			
	2024	2023	**2024**	2023	**2024**	2023
			HK$	HK$	**RMB'000**	RMB'000
Authorised ordinary shares at HK$0.01 per share:						
At the beginning and the end of the year	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000	**83,918**	83,918
Issued and fully paid ordinary shares at HK$0.01 per share:						
At the beginning and the end of the year	**600,000,000**	600,000,000	**6,000,000**	6,000,000	**5,035**	5,035

34. Reserves

(a) Capital reserve

The capital reserve of the Group arose as a result of the acquisition of subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the amount of share capital of Qun Bong Global Limited ("**Qun Bong**").

(b) Statutory reserve

According to the PRC Company Law, the subsidiary in the PRC is required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

35. Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remained unchanged during the years ended 31 December 2024 and 2023.

The capital structure of the Group consists of net debt, which includes borrowings, net of time deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as the raise of additional borrowings as additional capital or the redemption of existing borrowings.

36. Financial Instruments

(a) Categories of financial instruments

	2024 **RMB'000**	2023 RMB'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**458,076**	445,160
Financial liabilities		
Financial liabilities measured at amortised cost	**546,266**	513,892

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, time deposits, bank balances and cash, amounts due from/to a related company, trade and bills payables, accruals and other payables and borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, currency risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk.

The Group also exposes to foreign currency risk relates principally to its other payables, borrowings, time deposits and bank balances denominated in foreign currencies other than the functional currency of the relevant group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2024		2023	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
HK$	**20,163**	**7**	22,787	3,685
US$	**39,744**	**—**	21,955	—

<u>Sensitivity analysis</u>

The Group entities are mainly exposed to the fluctuation of HK$/US$ against RMB.

The following table details the Group's sensitivity to 5% (2023: 5%) increase and decrease in RMB against HK$/US$ for the year ended 31 December 2024. 5% (2023: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2023: 5%) change in foreign currency rates.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

A negative number below indicates a decrease in profit before tax for the year where RMB strengthen 5% (2023: 5%) against the relevant currency. For a 5% (2023: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2024 **RMB'000**	2023 RMB'000
(Decrease) increase in post-tax profit for the year:		
— if RMB strengthen against HK$	**842**	909
— if RMB strengthen against US$	**(1,660)**	(798)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (note 28) and time deposits (note 23).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 24). It is the Group's policy to keep its borrowing at fixed rate of interests so as to minimise the cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

As at 31 December 2024, it is estimated that a general increase or decrease of 1% (2023: 1%) in interest rates, with all other variables held constant, would increase (2023: increase) or decrease (2023: decrease) the Group's post-tax profit for the year ended 31 December 2024 by approximately RMB550,000 (2023: RMB772,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for bank balances in existence at the end of the reporting period. The 1% (2023: 1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated financial statements.

The credit risk of the Group mainly arises from bank balances and cash, trade and bills receivables and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 92% (2023: 99%) of the total trade and bills receivables as at 31 December 2024.

The Group has concentration of credit risk as 3% (2023: 5%) of the total trade and bills receivables was due from the Group's largest customer as at 31 December 2024. 13% (2023: 9%) of the total trade and bills receivables was due from the Group's five largest customers as at 31 December 2024.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

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

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2024 Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	**(i)**	**Lifetime ECLs (not credit impaired) and simplified approach**	**293,117**	**(997)**	**292,120**
Financial assets included in other receivables	21	**Performing**	**12-month ECL**	**65,151**	**—**	**65,151**
Amounts due from a related company	22	**Performing**	**12-month ECL**	**16,319**	**—**	**16,319**
Time deposits	23	**Performing**	**12-month ECL**	**19,465**	**—**	**19,465**
Bank balances and cash	24	**Performing**	**12-month ECL**	**65,021**	**—**	**65,021**

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2023 Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	(i)	Lifetime ECLs (not credit impaired) and simplified approach	275,546	(1,430)	274,116
Financial assets included in other receivables	21	Performing	12-month ECL	4,061	—	4,061
Time deposits	23	Performing	12-month ECL	66,745	—	66,745
Bank balances and cash	24	Performing	12-month ECL	100,238	—	100,238

Note (i): For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECLs on these items by using a provision matrix, estimated based on historical credit loss experience based on the invoice date aging status of the debtors collectively, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 20 include further details on the loss allowance for these assets respectively.

The credit quality of these financial assets was considered to be "performing" as they are not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Less than 1 year RMB'000	**1–2 years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
At 31 December 2024				
Trade and bills payables	**189,756**	**—**	**189,756**	**189,756**
Accruals and other payables	**49,032**	**—**	**49,032**	**49,032**
Borrowings	**247,353**	**72,938**	**320,291**	**307,478**
	486,141	**72,938**	**559,079**	**546,266**
Lease liabilities	**3,330**	**87**	**3,417**	**3,392**

	Less than 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023				
Trade and bills payables	155,511	—	155,511	155,511
Accruals and other payables	44,775	—	44,775	44,775
Borrowings	326,047	520	326,567	313,365
Amount due to a related company	241	—	241	241
	526,574	520	527,094	513,892
Lease liabilities	1,031	—	1,031	1,023

The above financial liabilities of the Group and the Company are all repayable within two year.

36. Financial Instruments (Continued)

(c) Fair values of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. Related Party Transactions

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following balances with related party during the years ended 31 December 2024 and 2023:

	Notes	**2024 RMB'000**	2023 RMB'000
Amounts due from (to) a related party			
Dongxia	(i) & (ii)	**16,319**	(241)
Maximum amount outstanding during the year			
Dongxia		**16,319**	2,310
Rental expenses paid to a related party			
Dongxia		**3,200**	3,200

Notes:

(i) The balances are unsecured, interest free, repayable on demand and non-trade in nature.

(ii) Dongxia is a related company incorporated in the PRC and is beneficially owned by Mr. Xue Shidong, the director of the Company.

(b) Compensation of key management personnel

The emoluments of the directors of the Company and other members of key management during the years ended 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Short-term benefits	**5,725**	5,291
Post-employment benefits	**174**	180
	5,899	5,471

The emoluments of key management personnel is determined by the remuneration committee having regard to the performance of the individuals and market trends.

37. Related Party Transactions (Continued)

(c) Right-of-use assets

Certain right-of-use assets are leased from a related company, Dongxia. For the year ended 31 December 2024, the amount of rent payable by the Group under the lease is RMB3,200,000 (2023: nil). Details of right-of-use assets during the years ended 31 December 2024 and 2023 are set out in note 16.

As at 31 December 2024, the carrying amount of the related lease liabilities was RMB3,184,000 (2023: nil).

(d) Guarantee

As at 31 December 2024, certain of the Group's banking facilities were granted from pledged assets of approximately RMB3,583,000 (2023: RMB3,583,000) or guarantees given by the related party. Details of the banking facilities and bank borrowings granted under such facilities are set out in note 28.

38. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for what cash flow were, or future cash flow will be, classified in the consolidated statement of cash flow as cash flow from financing activities.

	Dividend payable RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 16)	Borrowings RMB'000 (Note 28)	Interest payable RMB'000 (Note 26)	Amount due to related a company RMB'000 (Note 37)	Total RMB'000
As at 1 January 2024	**24,605**	**1,023**	**313,365**	**1,200**	**241**	**340,434**
Cash flows in	**—**	**—**	**307,478**	**—**	**—**	**307,478**
Cash flows out	**(11,599)**	**(4,276)**	**(313,365)**	**(12,449)**	**(241)**	**(341,930)**
Finance costs incurred (note 8)	**—**	**182**	**—**	**11,650**	**—**	**11,832**
Dividend declared (note 13)	**16,624**	**—**	**—**	**—**	**—**	**16,624**
Non-cash movement						
Exchange difference	**—**	**7**	**—**	**—**	**—**	**7**
Addition	**—**	**6,456**	**—**	**—**	**—**	**6,456**
As at 31 December 2024	**29,630**	**3,392**	**307,478**	**401**	**—**	**340,901**
As at 1 January 2023	13,620	8,603	288,346	456	2,310	313,335
Cash flows in	—	—	313,365	—	1,419	314,784
Cash flows out	(5,299)	(7,862)	(288,346)	(14,183)	(3,488)	(319,178)
Finance costs incurred (note 8)	—	287	—	14,927	—	15,214
Dividend declared (note 13)	16,284	—	—	—	—	16,284
Non-cash movement						
Exchange difference	—	(5)	—	—	—	(5)
As at 31 December 2023	24,605	1,023	313,365	1,200	241	340,434

39. Particulars of Subsidiaries

As at 31 December 2024 and 2023 and at the date of the report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation/ establishment	Place of operation and establishment	Issued and fully paid share capital/registered capital	Percentage of equity interest and voting power attributable to the Company 2024	2023	Principal activity
Directly held						
Qun Bong[1]	11 November 2013	The BVI	US$1	**100%**	100%	Investment holding
Indirectly held						
Ya Dong (Hong Kong) International Trading Company Limited ("**Yadong (Hong Kong)**")[2]	27 June 2011	Hong Kong	HK$20,000,000	**100%**	100%	Investment holdings and trading of corduroy fabrics and plain weave fabrics
Yadong (Changzhou)*[3]	27 March 2014	The PRC	US$10,000,000	**100%**	100%	Investment holdings and dyeing, processing and trading of corduroy fabrics and plain weave fabrics
Lion Union*[3]	30 April 2000	The PRC	RMB80,000,000	**100%**	100%	Dormant
Changzhou Dongliang Yunfang Information Technology Co., Ltd.*[3]	30 April 2022	The PRC	RMB1,000,000	**100%**	100%	Inactive

* The English name is for identification only
1 Company with limited liability incorporated in the BVI.
2 Company with limited liability incorporated in Hong Kong.
3 Company with limited liability established in the PRC.

40. Operating Lease Arrangement

The Group as lessor

The group leases out investment property under operating leases. The leases typically run for an initial period of 4 to 5 years (2023: 4 to 5 years). Lease payments are fixed every year. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**2,386**	2,386
After 1 year but within 2 years	**2,038**	2,386
After 2 years but within 3 years	**596**	2,038
After 3 years but within 4 years	**105**	596
After 4 years but within 5 years	**—**	105
	5,125	7,511

41. Capital Commitments

	2024 RMB'000	2023 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the consolidated financial statements	**15,800**	533

42. Information About the Statement of Financial Position of the Company

	Notes	2024 RMB'000	2023 RMB'000
Non-current Asset			
Investment in a subsidiary		**92,064**	92,064
Current Assets			
Dividend receivable	(a)	**65,591**	54,685
Amount due from a subsidiary	(b)	**2,132**	26,219
Time deposits		**19,465**	18,758
Bank balances and cash		**698**	595
		87,886	100,257
Current Liabilities			
Accruals and other payables		**1,853**	1,842
Dividend payable		**29,630**	24,605
Amounts due to subsidiaries	(b)	**11,545**	11,085
		43,028	37,532
Net current assets		**44,858**	62,725
Net assets		**136,922**	154,789
Capital and Reserves			
Share capital		**5,035**	5,035
Reserves	(c)	**131,887**	149,754
Total Equity		**136,922**	154,789

42. Information About the Statement of Financial Position of the Company (Continued)

(a) As at 31 December 2024 and 2023, dividend receivable was from Qun Bong.

(b) Amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(c) Movements in the Company's reserves

	Capital reserve RMB'000 (Note i)	**Share premium** RMB'000	**Retained profits/ (Accumulated losses)** RMB'000	**Total** RMB'000
At 1 January 2023	87,752	57,954	556	146,262
Profit and total comprehensive income for the year	—	—	19,776	19,776
Dividends paid	—	(16,284)	—	(16,284)
At 31 December 2023 and 1 January 2024	87,752	41,670	20,332	149,754
Loss and total comprehensive expense for the year	—	—	(1,243)	(1,243)
Dividends paid	—	(16,624)	—	(16,624)
At 31 December 2024	87,752	25,046	19,089	131,887

Note i: Capital reserve represents the difference between the nominal value of the shares issues for acquisition of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.