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SHENGUAN

Shenguan Holdings (Group) Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 00829

Annual Report 2024

CONTENTS

CORPORATE INFORMATION

Executive Directors

Ms. Zhou Yaxian *(Chairman and President)*
Mr. Ru Xiquan
Mr. Mo Yunxi
Mr. Sha Junqi
Mr. Li Chenglin

Non-executive Director

Dato' Sri Low Jee Keong

Independent Non-executive Directors

Mr. Tsui Yung Kwok
Mr. Meng Qinguo
Mr. Zhou Xiaoxiong

Company Secretary

Mr. Ng Yuk Yeung *CFA FCCA CPA*

Legal Advisor as to Hong Kong Laws

Loong & Yeung
Room 1603, 16/F
China Building
29 Queen's Road Central
Central
Hong Kong

Registered Office

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

Headquarter

Unit 2902, Sino Plaza
255–257 Gloucester Road
Causeway Bay
Hong Kong

Mainland Office

No. 39 Xijiang Fourth Road
Wuzhou, Guangxi
People's Republic of China

Principal Bankers

Agricultural Bank of China
Bank of China
Bank of Communications
China Construction Bank
The Hongkong and Shanghai Banking Corporation

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Listing Information

Listing: The Stock Exchange of Hong Kong Limited
Stock code: 00829
Ticker symbol
Reuters: 0829.HK
Bloomberg: 829: HK Equity

Key Dates

13 October 2009
Listing on the Hong Kong Stock Exchange

24 March 2025
Announcement of 2024 Annual Results

3 June 2025 to 6 June 2025 (both days inclusive)
Closure of Register of Members
(for determining the eligibility to attend the Annual General Meeting)

6 June 2025
Annual General Meeting

12 June 2025 to 17 June 2025 (both days inclusive)
Closure of Register of Members
(for determining the eligibility to receive the Final Dividend)

On or around 9 July 2025
Final Dividend Payment Date

Registrar & Transfer Offices

Principal:
Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

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

Share Information

Board lot size: 2,000 shares

Shares in issue as at 31 December 2024
3,230,480,000 shares

Market capitalization as at 31 December 2024
HK$920,686,800

Basic earnings per share for 2024
Full year RMB0.8 cents

Total dividend per share for 2024
Full year HK4.0 cents

Enquiries Contact

Wonderful Sky Financial Group Holdings Limited

Email: *shenguan@wsfg.hk*

Website

www.shenguan.com.hk

Financial and Operating Summary for the Year ended 31 December

(RMB million, except where otherwise stated)	2024	2023	Change
Revenue	**1,016.8**	1,110.4	-8.4%
Profit attributable to owners of the parent	**26.7**	31.2	-14.7%
Basic earnings per share (RMB cents)	**0.8**	1.0	-20.0%
Dividend per share (HK cents)			
– Final	**2.0**	2.0	–
– Special (Final)	**2.0**	2.0	–
Net cash (used in)/from operating activities	**(143.3)**	176.4	N/A
Total assets	**2,829.2**	2,957.3	-4.3%
Inventory turnover day – Raw materials (days)*	**61.1**	37.7	+23.4 days
Inventory turnover day – Finished goods & Work in progress (days)*	**223.4**	156.7	+66.7 days
Trade receivables turnover day (days)*	**61.3**	64.0	-2.7 days
Trade payables turnover day (days)*	**67.0**	72.1	-5.1 days

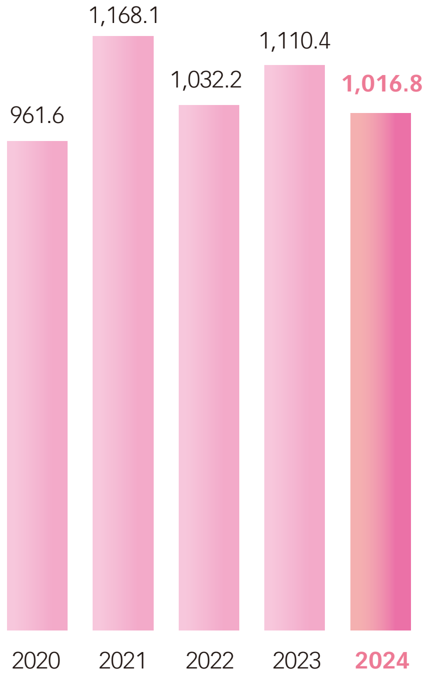
Five Years Financial and Operating Summary for the year ended 31 December

(RMB million, except where otherwise stated)	2024	2023	2022	2021	2020
Revenue	**1,016.8**	1,110.4	1,032.2	1,168.1	961.6
Profit attributable to owners of the parent	**26.7**	31.2	23.6	122.7	90.8
Basic earnings per share (RMB cents)	**0.8**	1.0	0.7	3.8	2.8
Dividend per share (HK cents)					
– Final	**2.0**	2.0	2.0	2.0	2.0
– Special (Final)	**2.0**	2.0	4.0	4.0	4.0
Net cash (used in)/from operating activities	**(143.3)**	176.4	106.0	179.7	443.1
Total assets	**2,829.2**	2,957.3	3,354.4	3,312.1	3,130.2
Inventory turnover day – Raw materials (days)*	**61.1**	37.7	39.8	37.4	38.0
Inventory turnover day – Finished goods & Work in progress (days)*	**223.4**	156.7	152.5	159.6	197.3
Trade receivables turnover day (days)*	**61.3**	64.0	70.2	56.0	84.2
Trade payables turnover day (days)*	**67.0**	72.1	51.0	87.1	118.5

* *Calculated based on the average value between the beginning of the year and the end of the year*

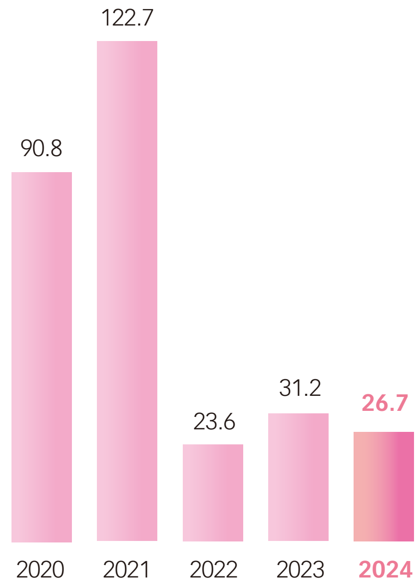
Turnover

RMB million



Profit attributable to owners of the parent

RMB million



In the first half of the Year, the Group held seminars for its 45th anniversary of the research and development of collagen, the 35th anniversary of the establishment of the plant, the 20th anniversary of its restructuring, and the 15th anniversary of its listing. Notably, it successfully developed and launched six new products of the collagen sausage casings series, namely "fried", "crispy", "tender", "fresh", "bright" and "colorful", earning unanimous customer praise, and laying a solid foundation for promoting the comprehensive upgrade of collagen sausage casings products, covering market needs, and achieving new development.

Ms. Zhou Yaxian
Chairman of the Board and President of the Company

To All Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shenguan Holdings (Group) Limited ("Shenguan Holdings" or the "Company"), I hereby present the audited annual results for the year ended 31 December 2024 (the "Year") of the Company and its subsidiaries (collectively referred to as the "Group").

During the Year, the Group focused on "seeking progress while upholding and maintaining stability, and realising corporate high-quality development" in its work, with various objectives largely accomplished: equipment upgrades met production requirements; process supporting facilities were improved; and innovative production methods demonstrated significant effectiveness. In the first half of the Year, the Group held seminars for its 45th anniversary of the research and development of collagen, the 35th anniversary of the establishment of the plant, the 20th anniversary of its restructuring, and the 15th anniversary of its listing. Notably, it successfully developed and launched six new products of the collagen sausage casings series, namely "fried", "crispy", "tender", "fresh", "bright" and "colorful", earning unanimous customer praise, and laying a solid foundation for promoting the comprehensive upgrade of collagen sausage casings products, covering market needs, and achieving new development. In the second half of the Year, the Group devoted to stabilising product quality and improving first-grade yield rates; strengthening budget management to reduce unnecessary expenditures; enhancing managerial awareness and rigorously managing remuneration system.

The Group overcame unfavourable factors such as rising labour costs and production costs as well as volatile market demand through our concerted efforts of all staff. While sales experienced a slight decline, however, with economic efficiency rebounded, the Group maintained its leadership in domestic collagen sausage casings sector. Additionally, breakthroughs were achieved in new products of the Group, particularly in medical collagen, which showed promising initial results.

Collagen, as a natural biopolymer, demonstrates significant potential in the medical sector due to its excellent biocompatibility, degradability, and biomimetic properties. It has been widely applied in sectors such as wound healing, tissue engineering, and regenerative medicine. Leveraging on the expertise gained from over 40 years of research on collagen, the Group has expanded its applications in biopolymers, particularly in the sector of medical biomaterials. After laying the foundation for the research and development and application of polymer collagen medical biomaterials of the Group in recent years, significant progress has been made in terms of research and development results and marketing. The medical collagen produced by the Group has been registered by the Center for Medical Device Evaluation, National Medical Products Administration of the PRC. During the Year, the Group recorded robust growth in the sales of medical collagen raw materials, achieving significant increase in production, sales and profit. In 2025, the Group will accelerate clinical trials and production licence applications for other new products.

The Group remains committed to technological innovation, conducting forward-looking scientific research in collagen technology and delivering promising results. In collaboration with Huazhong University of Science and Technology, the Group co-published a research article titled "Collagen nanofiber-lignin composite sponges with adjustable hierarchical pore structure for efficient low-frequency sound absorption" in Advanced Science Journal, addressing challenges in architectural acoustic materials. Inspired by collagen's acoustic-physiological functions in the human body and lignin's structural properties in plants, the study innovatively combined collagen nanofibers with lignin to successfully develop a collagen nanofiber-lignin composite sponge (a kind of natural building sound absorption material with superior sound absorption and noise reduction properties, light weight, high mechanical performance and biodegradability). The "Microbial-Modified Lignin Composite Collagen Film, Preparation and Application (微生物改性木質素複合膠原蛋白薄膜、製備與應用)" has been granted a national invention patent, with five other patents currently under review.

In 2025, the Group will adopt the guiding principles of "strengthening standardised management and consolidating new product quality", with the major tasks being to ensure consistent quality across six collagen sausage casings series, particularly the "fried" and "fresh" series; to increase the proportion of high-end sausage casings; to promote technical transformation in standardised and intelligent production; to increase economic benefits through enhancing production efficiency and work efficiency. The focus will be on promoting continuous innovation and enhancing standardised management, including innovation management in products, processes, equipment, procedures and systems.

The Group believes that the aforesaid initiatives will continue to facilitate sustainable development, create new economic benefits, and enhance the comprehensive competitiveness of the Group to generate fabulous returns to shareholders.

Ms. Zhou Yaxian
Chairman and President

Hong Kong, 24 March 2025

Market Review

In 2024 (the "Year"), China navigated a complex and severe landscape marked by intensifying external pressures and increasing domestic challenges with confidence in development, proactively addressed problems and challenges. A series of existing and incremental policies were implemented in a concerted manner and continued to be effective, driving the economy to continue its overall stability while making progress, showing the characteristics of "starting high, falling low in the middle, and rebounding at the end", with high-quality development gaining solid momentum and industrial transformation accelerating.

According to preliminary data calculations from the National Bureau of Statistics of China, the gross domestic product (GDP) increased by 5.0% year-on-year during the Year, consolidating China's position as the world's second-largest economy. The contribution rate of final consumption expenditure to China's economic growth for the whole year was 76.2%, indicating resurgent consumer demand as the primary economic growth driver. As China endeavours its efforts to boost consumption, residents' expectations were gradually stabilised, the proportion of residents' disposable income in GDP increased significantly. The supply-side structural reforms and various measures boosting consumption were expected to further revitalize China's collagen sausage casings market.

Business Review

During the Year, Shenguan Holdings (Group) Limited (the "Company") and its subsidiaries (collectively the "Group") welcomed its 45th anniversary of corporate development and its 15th anniversary of listing in Hong Kong. From producing the first collagen sausage casings in China to possessing three world-first core technologies, the Group has become a world-class enterprise in collagen sausage casings. The Group is accelerating the development of the grand health industry under the "Three Developments and One Core" strategy. Relying on the collagen core technology with a complete triple-helix structure, the Group has successfully launched six series of new products of collagen sausage casings to further consolidate its leading position in the collagen sausage casings market. At the same time, the Group intensifies its expansion in three major industries, namely collagen food products, collagen skincare products and polymer collagen medical biomaterials.

Collagen Sausage Casings

During the Year, the Group successfully developed and launched six new products of the collagen sausage casings series, namely "fried", "crispy", "fresh", "tender", "bright" and "colorful", and held new product promotional seminars and global investment promotion seminars to initiate industry exchanges. The new products earned unanimous customer praise, laying a solid foundation for promoting the comprehensive upgrade of collagen sausage casings products and covering market needs. To cope with the launch of new products, the Group also constantly strengthened and improved its production capacity. The plan of production capacity expansion formulated by the Group has basically been achieved, with the production capacity of collagen sausage casings reaching 7 billion metres. Meanwhile, the Group has also upgraded and renovated its facilities related to raw material warehousing, storage, pre-processing, collagen extraction, sausage casings production and environmental protection.

In addition to the standardised management of equipment for collagen casings, which the Group commenced in 2023 (the "Prior Year"), we continued to promote the standardisation of equipment and spare parts, including the standardised management of production lines, equipment, components and spare parts, during the Year. These efforts were aimed at reducing equipment maintenance and production costs, improving production efficiency and corporate economic benefits, and laying foundation for the realisation of information, digitalisation and intelligent construction of the enterprise.

Other Products

With the deepened implementation of the "Healthy China 2030" Planning Outline, as a sunrise industry, the grand health industry enjoys enormous development potential. It is a national emerging strategic industry with the engagement of various "new power and new energy". By focusing on the grand health industry, it will bring a strong driving force to the development of China's health industry. During the Year, the sales revenue of collagen food products, collagen skincare products and polymer collagen medical biomaterials increased by approximately 83.2% as compared with the Prior Year.

During the Year, the Group launched new products such as "Bo Bo Chicken (缽缽雞)" and "Beef Tripe (牛西肚)" in the research and development of collagen food products, which were well received by the market. In addition, the Group upgraded its products such as "ready-to-eat beef tendon", "collagen brown sugar ginger drink", "collagen oat drinks" and "collagen oat porridge', with the packaging and taste catering to the needs of consumers.

For the research and development of collagen skincare products, the Group further increased its investment during the Year by introducing a series of collagen skincare products, which have gradually enriched the product varieties and gained a favourable reputation. The development of collagen masks, skin nourishing lotions and multi-effective gel creams under the brands of "Luxianna", "COLL-FULL", "Collagen Family" and "coll-shine" has been improved and launched in the market gradually.

During the Year, the Group performed particularly well in the polymer collagen medical biomaterials segment, with the endotoxin content of the Group's medical collagen raw materials extracted through its proprietary technology being only 0.01EU/ml, which is better than the FDA's standard of 0.5EU/ml in the USA. The prospects of selling medical collagen raw materials were promising, representing an increase of 542.7% as compared with the Prior Year. Application has been made to the national regulatory authorities for the registration licence of "collagen bone filling biomaterials" as Class III medical device products, which is pending review and approval. The "oral post-operative medical collagen sponge (口腔術後醫用膠原蛋白海綿)" has passed the ethical review, and will enter the clinical trial stage. The "medical collagen dressing (醫用膠原蛋白敷料)" and "small beauty needle (小美容針)" are in the process of physicochemical indicators testing and animal trial.

Honours of the Group

During the Year, the Group's trademark of "Shenguan" was enlisted on the China's First Batch of Key Trademark Protection Lists for Light Industry (中國第一批輕工業重點商標保護名錄) at the "2024 China Light Industry Intellectual Property Conference (2024年中國輕工業知識產權大會)" organized by China Light Industry Enterprise Management Association (中國輕工業企業管理協會). In addition, the Group's halal collagen sausage casings have also successfully obtained the "Halal Certificate (清真證書)" issued by the Halal Foundation Center and Shaanxi International Halal Certification Center (陝西國際清真認證中心). Guangxi Shenguan Collagen Biological Group Co., Ltd. (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen"), a subsidiary of the Group, was also recognised as one of the "First Batch of Guangxi Model Enterprises for the Reform of Industrial Workers' Team Building (首批廣西產業工人隊伍建設改革示範企業)" and was awarded the "Guangxi Gold Medal for Labour and Personnel Dispute Resolution Organisation (廣西金牌勞動人事爭議調解組織)".

Patents

As of 31 December 2024, the Group had the following patents:

	Total number of patents granted	Within the validity period	Under acceptance
China National Intellectual Property Administration	107	70	21
Intellectual Property Office, Ministry of Economic Affairs, Taiwan	2	2	–
United States Patent and Trademark Office	1	1	–
Intellectual Property Office of Singapore	2	2	–
Department of Intellectual Property, Ministry of Commerce, Cambodia	1	1	–
Intellectual Property Office of Indonesia	1	1	–
Total	114	77	21

The Group has been closely collaborating with Huazhong University of Science and Technology on forward-looking scientific research in collagen technology and achieved fruitful results. In collaboration with Huazhong University of Science and Technology, the Group co-published a research article titled "Collagen nanofiber-lignin composite sponges with adjustable hierarchical pore structure for efficient low-frequency sound absorption" in Advanced Science Journal, addressing challenges in architectural acoustic materials. Inspired by collagen's acoustic-physiological functions in the human body and lignin's structural properties in plants, the study innovatively combined collagen nanofibers with lignin to successfully develop a collagen nanofiber-lignin composite sponge (a kind of natural building sound absorption material with superior sound absorption and noise reduction properties, light weight, high mechanical performance and biodegradability). Additionally, the Group and Huazhong University of Science and Technology have jointly developed six patents as follows:

Patent Titles	
Microbial-modified lignin composite collagen film, preparation and application	Granted
Manufacturing method of collagen nanofiber-lignin composite sponges with hierarchical pore structure and its application as a sound absorption material	Under acceptance
A kind of mushroom and protein meat substitute and its manufacturing method	Under acceptance
The manufacturing method and its application of a PH responsive natural food packaging membrane	Under acceptance
An insoluble dietary fibre LCC/collagen COL edible composite membrane and its manufacturing method	Under acceptance
An soluble dietary fibre KGM/collagen COL edible composite membrane and its manufacturing method	Under acceptance

Quality Control

The Group strictly controls every production link to ensure its products are of the highest quality and comply with all applicable food safety requirements. The Group's production and manufacture of collagen sausage casings has passed the certification of ISO9001 Quality Management System, ISO22000 Food Safety Management System, ISO10012 Measurement Management System and ISO14000 Environmental Management System, and has obtained the Food Production Licence and the Filing of Export Food Manufacturers (出口食品生產企業備案證). The Group has also registered with the Food and Drug Administration in the United States for exporting of sausage casing products to Southeast Asia, Europe and the United States. In addition, the production of all the Group's sausage casing products has strictly complied with the national standards (GB14967–2015) and sausage casing manufacturing industry standards (SB/T10373–2012) of the PRC. All these certifications are the recognition of the Group as a trustworthy product supplier to its customers.

Guangxi Wuzhou Zhongguan Testing Technology Services Co., Ltd. ("Wuzhou Zhongguan"), a subsidiary of the Group, is able to examine over 800 indicators, including physicochemical indicators such as heavy metals and microelements, pesticide residues, microorganisms and proteins, and continues to independently undertake third-party inspection assignments, provide various food and relevant product testing services and issue officially recognised testing reports, contribute external sales revenue. Such qualifications recognition is going to lay a solid foundation for the Group to develop into a high-end collagen raw materials base, thereby facilitating the healthy development of the Group's collagen food products, collagen skincare products and polymer collagen medical biomaterials in the grand health industry.

Customer Relationship

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a stable customer base. The Group has established its closely-knit yet extensive network of leading meat products processing and sausage manufacturers, not only for cooperation with enterprises in the PRC, but also with those in various overseas markets, such as Southeast Asia, South America and the United States. During the Year, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. On the basis of stabilising existing customers, the Group continued to solicit new customers and achieved favourable outcome.

Supply of Raw Materials

Cattle inner skin is a major raw material for collagen sausage casing production. The supply of cattle inner skin remained stable over the past few years. However, due to factors such as the economic downturn, the supply of cattle inner skin was slightly tightening in both 2022 and 2023, which was alleviated during the Year with a decrease in price compared to the Prior Year.

Guangxi Zhiguan Industrial Development Co., Limited ("Guangxi Zhiguan"), one of the Group's major cattle inner skin providers, applied for the Food Production Licence under "the Measures for the Administration of Food Production Licensing" of the PRC and "Food Safety Law" of the PRC on a voluntary basis. The licence has been granted by Wuzhou Bureau for Administrative Examination and Approval with a valid period until October 2027.

Financial Analysis

Revenue

Revenue decreased by approximately 8.4% to approximately RMB1,016.8 million for the Year from approximately RMB1,110.4 million for the Prior Year. During the Year, the operation of some lower-end products was unsatisfactory, and the Group also carried out product upgrading by launching six new product series. The focus of promotion was slowly shifted from the old products to the six new products, which required maintaining communication with customers and optimizing the products according to customers' needs at the initial stage of launching of the new products. During the period of product transition and coordination with customers, sales was inevitably affected to a certain extent.

Cost of sales

Cost of sales decreased by approximately 10.0% to approximately RMB845.7 million for the Year from approximately RMB939.6 million for the Prior Year, including the inventory write-offs and provisions of approximately RMB21.0 million mainly for certain lower-end aged inventories, as compared to net provision of approximately RMB2.0 million for the Prior Year. Excluding such items, the cost of sales for the Year decreased by approximately 12.0% as compared to the Prior Year. The costs of raw materials for the Year decreased by approximately 18.7% to approximately RMB381.7 million as compared with that of the Prior Year. In addition, the charges for energy decreased by approximately 5.3% to approximately RMB172.9 million. The direct labor costs decreased by approximately 4.1% to approximately RMB148.6 million.

Gross profit

Gross profit increased by approximately 0.1% to approximately RMB171.1 million for the Year from approximately RMB170.9 million for the Prior Year. Gross profit margin increased to approximately 16.8% for the Year from approximately 15.4% for the Prior Year. Excluding inventory write-offs and provisions or reversals, gross profit increased by approximately 11.1% and gross profit margin increased to approximately 18.9% for the Year. During the Prior Year, the Group conducted large-scale product trial production and equipment transformations due to new products research and development, as well as expansion of production capacity, while the changeover of production lines required to undergo trial production to test their quality and effectiveness, and the raw materials, auxiliary materials and energy consumed for the trial production were higher than those under normal production, which in turn increased the average unit cost of production. However, during the Year, as the Group has made greater efforts in broadening the supply channels of raw materials to ensure the supply and quality, and enhanced the overall production capacity through technological innovations and renovations in the production of sausage casings, renewal and upgrading of equipment, as well as improvement of the infrastructural facilities in the entire process, which includes upgrading and renovation of the facilities related to raw material warehousing, storage, pre-processing, collagen extraction, sausage casings production and environmental protection, the unit production cost of sausage casings and even the cost of sales have significantly decreased, which in turn improved the gross profit margin.

Other income and gains

Other income and gains decreased by approximately 44.6% to approximately RMB57.7 million for the Year from approximately RMB104.1 million for the Prior Year. Wuzhou Sanjian Pharmaceutical Co., Ltd. (廣西梧州三箭製藥有限公司) ("Wuzhou Sanjian"), a wholly-owned subsidiary of the Group, entered into an assignment agreement and contract (the "Assignment Agreement and Contract") with Guangxi Weiwei Pharmaceutical Co., Ltd. (廣西維威製藥有限公司) ("Guangxi Weiwei") on 26 October 2022, pursuant to which Wuzhou Sanjian agreed to assign the pharmaceutical products marketing authorisation in respect of fifty pharmaceutical products to Guangxi Weiwei for an aggregate consideration of approximately RMB42.1 million (5% VAT included). The assignment was completed during the Prior Year and resulted in a gain of approximately RMB39.7 million. Please refer to the announcement of the Group dated 26 October 2022 for details.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 4.1% to approximately RMB33.5 million for the Year from approximately RMB35.0 million for the Prior Year. Selling and distribution expenses as a percentage of revenue increased to approximately 3.3% for the Year from approximately 3.1% for the Prior Year.

Administrative expenses

Administrative expenses decreased by approximately 13.1% to approximately RMB131.1 million for the Year from approximately RMB150.8 million for the Prior Year. The Group's investment in an associate experienced an impairment of approximately RMB12.1 million for the Prior Year due to unfavorable economic and market conditions.

Finance costs

Finance costs decreased by approximately 19.9% to approximately RMB7.3 million for the Year from approximately RMB9.1 million for the Prior Year.

Share of loss of an associate

During the Year, Ferguson (Wuhan) Biotech Company Limited, an associate of the Group, contributed a share of loss of approximately RMB3.1 million to the Group, as compared to a share of loss of approximately RMB2.3 million for the Prior Year.

Impairment of trade, bills and other receivables

The Group recorded an impairment of trade, bills and other receivables in an aggregate of approximately RMB9.6 million for the Year, as compared to an impairment in an aggregate of approximately RMB9.9 million for the Prior Year.

Income tax expenses

Income tax expenses were approximately RMB15.2 million for the Year, as compared to approximately RMB38.4 million for the Prior Year. The Company's major operating subsidiary, Shenguan Collagen enjoys a preferential tax treatment due to its location in western China and fall into the industry category encouraged by government policies. The applicable tax rate for Shenguan Collagen is 15%.

The effective tax rates applied to the Group were approximately 56.5% and approximately 34.5% of profit before tax for the Prior Year and for the Year, respectively. The higher effective tax rates for the Prior Year and for the Year than the applicable tax rates of major operating subsidiary was mainly due to the provision of dividend withholding tax, and losses recorded by some subsidiaries of the Group. During the Prior Year, there is also a gain of approximately RMB39.7 million arising from the assignment of the pharmaceutical products marketing authorisation in respect of fifty pharmaceutical products to Guangxi Weiwei by Wuzhou Sanjian, which resulted in an utilization of deferred tax assets arising from tax loss at the applicable tax rate of 25% was approximately RMB9.9 million.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests for the Year was approximately RMB2.2 million, which mainly represented the total profit attributable to the non-controlling interests in all non-wholly owned subsidiaries.

Profit attributable to owners of the parent

In light of the above, in particular, although there was an after-tax gain of approximately RMB29.8 million in the Prior Year in respect of other gains on the assignment of marketing authorisations for pharmaceutical products while there was no similar gain in the Year and a decrease in revenue of approximately 8.4%, the profit attributable to owners of the parent decreased by only approximately 14.7% to approximately RMB26.7 million for the Year from approximately RMB31.2 million for the Prior Year as a result of the improvement in the gross profit margin, favourable sales of medical collagen raw materials and stringent control of operating expenses in the Year. However, if the above other gains on the assignment of marketing authorisations for pharmaceutical products were excluded, the profit attributable to owners of the parent for the Prior Year would be approximately RMB1.4 million, which in fact represented a significant increase for the Year.

Liquidity and Capital Resources

Cash and bank borrowings

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks.

As at 31 December 2024, the cash and cash equivalents together with pledged and time deposits amounted to approximately RMB646.3 million, representing a decrease of approximately RMB377.7 million (as at 31 December 2023: approximately RMB1,024.0 million) as compared to that as at the end of 2023. Among these balances, approximately 84% was denominated in Renminbi, and the remaining was denominated in Hong Kong dollars, Singapore dollars and U.S. dollars.

As at 31 December 2024, the total bank borrowings of the Group amounted to approximately RMB240.3 million, decreased by approximately RMB32.6 million (as at 31 December 2023: approximately RMB272.8 million), and all bank borrowings were wholly repayable within one year and denominated in Renminbi.

The Group was in a net cash position (cash and cash equivalents together with the pledged and time deposits less total bank borrowings) of approximately RMB406.0 million as at 31 December 2024 (as at 31 December 2023: approximately RMB751.1 million). The debt-to-equity ratio was 10.8% as at 31 December 2024 (as at 31 December 2023: 11.7%). The debt-to-equity ratio was calculated by dividing total bank borrowings and lease liabilities by total equity.

Cash flows

During the Year, the net cash outflow of approximately RMB143.3 million were used in operating activities. The Group launched six new sausage casings products in the second quarter of the Year, and in order to cope with the launch of the new products, the Group kept sufficient inventories of raw materials and finished products, thus the total inventories increased. The net cash inflow of approximately RMB161.7 million were generated from investing activities and the net cash outflow of approximately RMB161.8 million were generated from financing activities, respectively. The net cash inflow from investing activities was mainly attributable to the cash inflow from decrease in pledged deposits and non-pledged time deposits with original maturity of over three months when acquired, partly offset by the cash outflow from the acquisition of property, plant and equipment. The net cash outflow from financing activities was mainly attributable to the combined effects of the payment of 2023 final dividend and repayment of bank borrowings and new bank borrowings.

Exposure to exchange risks

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations are mainly denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have any material impact on the Group's operations. The Group had not adopted formal hedging policies.

Capital expenditure

The capital expenditure of the Group during the Year amounted to approximately RMB87.8 million, which was mainly used for expansion of production capacity and equipment transformations, and the capital commitments as at 31 December 2024 amounted to approximately RMB143.5 million, which were mainly related to the expansion, improvement and upgrades of production facilities.

The estimated capital expenditure of the Group for 2025 of approximately RMB100.0 million will be mainly used for the upgrade of high-quality collagen casing production lines.

Pledge of assets

As at 31 December 2024, pledged bank deposits amounted to approximately RMB28.5 million in total.

Contingent liabilities

As at 31 December 2024, the Group was not aware of any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Subsequent Events after the Year

There were no important events affecting the Group that have occurred since 31 December 2024.

Human Resources

As at 31 December 2024, the Group hired a total of approximately 3,070 contract employees (as at 31 December 2023: 2,790). During the Year, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB236.1 million (Prior Year: approximately RMB219.5 million). In order to attract and retain high quality talents to ensure smooth business operation and to cope with the need of the Group's continuing expansion, the Group offers competitive remuneration packages with reference to the market conditions as well as individual qualifications and experience.

Prospects and Strategies

The Third Plenary Session of the 20th Central Committee of the Communist Party of China decided to adhere to and implement the "Two Unswerving Principles" policy, i.e. consolidating and developing the public sector while encouraging, supporting and guiding the development of the non-public sector, ensuring that all sectors have equal access to the use of production resources under the law, participate in the market competition on an equitable basis and are equally protected by the law, with a view to promote the complementarity strengths and common development of all sectors. The Central Economic Work Conference held in December 2024 outlined the economic tasks for 2025, which include expanding domestic demand, promoting the integrated development of technological and industrial innovation, stabilizing the real estate and stock markets, preventing and mitigating risks and external shocks in key areas, and stabilizing expectations to invigorate the economy, thereby driving sustained recovery and positive development.

In recent years, while consolidating its leading position in the domestic collagen sausage casings market, the Group has been vigorously pushing forward its diversified development in the direction of "Three Developments and One Core" of collagen food products, collagen skincare products and polymer collagen medical biomaterials. Despite encountering challenges during the initial phases, through the concerted efforts of all employees, the Group has laid a solid foundation for building a "Global Shenguan, Century-old Shenguan" and is confident in achieving the goals set for 2025.

In 2025, the Group will adopt the guiding principles of "strengthening standardised management and consolidating new product quality", with the major tasks being to ensure consistent quality across six collagen sausage casings series, particularly the "fried" and "fresh" series; to increase the proportion of high-end sausage casings; to promote technical transformation in standardised and intelligent production; to increase economic benefits through enhancing production efficiency and work efficiency. The focus will be on promoting continuous innovation, enhancing standardised management, and stabilize the quality of new products. Firstly, we will initiate a quality enhancement year campaign to ensure the stable quality of the six major series of collagen casings. Secondly, we will further increase the proportion of high-quality products and export items. Thirdly, we will continue to expand technological transformation and further optimize and enhance them. Finally, we will deepen and refine the standardized management of products, processes, equipment, and procedures, while advancing budget management to improve efficiency.

Collagen biopolymer serves as a bridge between biology and materials science. Through modern biotechnological extraction, modification, and synthesis, and driven by scientific breakthroughs and technological innovation, its widespread application has become a focal point in biomaterials research. Collagen-based medical biomaterials will progress from fundamental research to a stage of clinical translation and rapid industrialisation. Their low immunogenicity, degradability, and multifunctionality make them a core material in regenerative medicine, precision medicine, and anti-ageing sectors. In the future, collagen-based materials are expected to achieve a leap from "passive repair" to "active regeneration", offering innovative solutions to challenges such as tissue defects and organ failure. The research and application of collagen as a medical biomaterial are embracing a revolutionary breakthrough.

For collagen food products, the Group is committed to promoting the application of collagen in the food field, and providing consumers with cost-effective health food. The Group will continue to ramp up production of products such as beef tripe, beef tendon, rice noodles, collagen oatmeal and collagen ginger tea, striving to enhance production efficiency. Alongside increasing production, the Group will further expand product promotion and marketing efforts, and broaden sales channels to achieve our sales growth objectives.

For collagen skincare products, the Group will continue to research the application of collagen in the field of skin care and cosmetics. Leveraging the existing production capabilities of Luxianna, the Group will move up the production and sales of new products such as collagen masks, nourishing toners, multi-effect creams, collagen extracts, and cleansing products to enhance the production and sales standards of our products.

For polymer collagen medical biomaterials industry, the Group is committed to applying cutting-edge collagen biotechnology to serve mankind and carry out in-depth research on medical collagen application technology. The Group will expedite the clinical trials of new products and the application for production licences, including the production approval for "collagen bone filling biomaterials (artificial bone) (膠原蛋白骨填充材料(人工骨))", actively advance the clinical trials for "oral medical collagen sponges (口腔醫用膠原蛋白海綿)" and the preparation work for the pre-clinical stages of "traumatic dressing (創面敷料)" and "small beauty needle (小美容針)", aiming to initiate clinical trials within 2025. The Group will enhance the sales efforts for medical collagen and its semi-finished products, expecting to achieve significant sales growth.

Finally, the team of the Company will continue to endeavour and speed up the growth of the grand health industry of Shenguan, further broaden the application of collagen technology, and develop more products in the collagen industry chain for the market, so as to generate better returns on investment for the shareholders.

Corporate Governance Practices

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all shareholders.

The Company's corporate governance practices for the Year are based on the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Save as disclosed in the section headed "Chairman and Chief Executive" in this Corporate Governance Report, the Board considered that the Company had complied with all the code provisions as set out in the Code contained in Appendix C1 to the Listing Rules during the Year.

Details of the Company's corporate governance are summarized below.

Board of Directors

Composition

As at the date of this report, the Board comprised nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Ms. Zhou Yaxian *(Chairman and President)*
Mr. Ru Xiquan
Mr. Mo Yunxi
Mr. Sha Junqi
Mr. Li Chenglin

Non-executive Director

Dato' Sri Low Jee Keong

Independent Non-executive Directors

Mr. Tsui Yung Kwok
Mr. Meng Qinguo
Mr. Zhou Xiaoxiong

The Board has established our corporate culture of the Group which specifies the purpose, values and strategies of the Group, and reinforce across the organisation values of acting lawfully, ethically and responsibly. The Board shall ensure all directors are familiar with the corporate culture and act with integrity to promote the corporate culture.

All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with information and explanations that are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are responded fully and promptly. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of Board meetings and Board committee meetings, which record in sufficient detail the matters considered and decisions reached by the Board thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out in the section headed "Directors and Senior Management" of this report. All Directors shall promptly disclose and update to the Board about the details of other offices held by them.

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

During the Year, the Board maintained a high level of independence, with one-third of the members of the Board being independent non-executive Directors who had exercised independent judgment. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed. There is no relationship in respect of any financial, business, family or other material relevant aspects among members of the Board, the senior management, substantial shareholders or controlling shareholders of the Company.

Delegation by the Board

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The senior management has been delegated with the authority and responsibility by the Board for overseeing the management and administration of the Group. The Senior management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The delegated functions and responsibilities are periodically reviewed by the Board in order to ensure its effectiveness. Approval has to be obtained from the Board prior to any significant transaction entered into by the management.

In addition, the Board has also delegated various responsibilities to the Board committees for overseeing particular aspects of the Company's affairs and reporting back to the Board on their decisions, recommendations and findings. All Board members have separate and independent access to the Company's management to fulfill their responsibilities, and upon reasonable request, seek independent professional advice under appropriate circumstances at the Company's expenses. In the case of a transaction or matter submitted to the Board for approval, the Directors may, if they deem it necessary to seek independent views and inputs, request the management to submit professional asset valuations, legal opinion, accounting opinion, financial opinion, other professional opinion or quotations from independent third parties. All individual Directors have separate and independent access to the senior management.

Board Meetings and Attendance

The Board shall meet regularly and at least four times a year at approximately quarterly intervals. Notice of at least 14 days have been given for regular board meetings, and reasonable notice have been given for other board meetings. Where material conflict of interest arises, a physical board meeting with the attendance of the independent non-executive Directors will be held.

Board meetings minutes are duly recorded in sufficient detail and are available for inspection by any one of the Directors on reasonable notice. During the Year, the Board held five meetings and five written resolutions were passed by all Directors of the Board. The individual attendance of the Directors at the Board meetings is as follows:

	Attendance/ Number of meetings held
Ms. Zhou Yaxian *(Chairman and President)**	4/5
Mr. Ru Xiquan*	4/5
Mr. Mo Yunxi*	4/5
Mr. Sha Junqi*	4/5
Mr. Li Chenglin	5/5
Dato' Sri Low Jee Keong	5/5
Mr. Tsui Yung Kwok	5/5
Mr. Meng Qinguo	5/5
Mr. Zhou Xiaoxiong	5/5

* *During the Year, there was one out of five Board meeting relating to a transaction in which Ms. Zhou Yaxian, Mr. Ru Xiquan, Mr. Mo Yunxi and Mr. Sha Junqi had or were deemed to have material interest and thus they had abstained from attending and voting at this Board meeting.*

Independent Non-executive Directors

Although each of Mr. Tsui Yung Kwok and Mr. Meng Qinguo has been serving as an independent non-executive Director for more than nine years, the Board considers that each of Mr. Tsui Yung Kwok and Mr. Meng Qinguo is a person of integrity and independent in judgement and character. Each of Mr. Tsui Yung Kwok and Mr. Meng Qinguo is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgement.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and hence are independent of the Company.

As there is no relationship in respect of any financial, business, family or other material relevant aspects between the Independent non-executive Directors (including their close associates) and the senior management, substantial shareholders or controlling shareholders of the Company, the nomination committee is of the view that all the Independent non-executive Directors are regarded as independent.

Chairman and Chief Executive

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Zhou Yaxian, who acts as the chairman (the "Chairman") and the president of the Company, is also responsible for overseeing the general operations of the Group. The Company has not appointed any chief executive officer and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with code provision C.2.1 of the Code and will continue to consider the feasibility of appointing the chief executive. The Company will make timely announcement if the chief executive has been appointed.

The duties of the Chairman include:

(i) all Directors are properly briefed on issues arising at board meetings;

(ii) that Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable;

(iii) provide leadership for the Board;

(iv) the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner; and

(v) good corporate governance practices and procedures are established.

The Chairman takes the lead to ensure that the Board makes a full and active contribution to the Board's affair and acts in the best interests of the Company, there is effective communication with the shareholders and their views are communicated to the Board as a whole. The Chairman meets at least annually with the independent non-executive Directors without the other Directors being present.

Appointment, Re-election and Removal of Directors

The Company has established the nomination committee (the "Nomination Committee") on 19 September 2009. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

Save and except for Mr. Mo Yunxi, Mr. Sha Junqi and Mr. Li Chenglin, each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 October 2024 and may be terminated by either party by giving not less than three months' prior written notice.

Mr. Mo Yunxi, an executive Director, has entered into a service contract with the Company for a term of three years commencing from 16 May 2024 and may be terminated by either party by giving not less than three months' prior written notice.

Mr. Sha Junqi and Mr. Li Chenglin, executive Directors, have entered into service contracts with the Company for a term of three years commencing from 31 May 2023 and may be terminated by either party by giving not less than three months' prior written notice.

Save and except for Mr. Zhou Xiaoxiong, each of the independent non-executive Directors has entered into a service contract with the Company for a term of two years commencing from 13 October 2023 and may be terminated by either party by giving at least three months' written notice.

Mr. Zhou Xiaoxiong, an independent non-executive Director, has entered into a service contract with the Company for a term of two years commencing from 31 May 2023 and may be terminated by either party by giving not less than three months' prior written notice.

In accordance with article 84 of the articles of association (the "Articles") of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Each of Mr. Mo Yunxi, Dato' Sri Low Jee Keong and Mr. Zhou Xiaoxiong will retire from office as Directors by rotation at the coming annual general meeting of the Company (the "2025 AGM"), and being eligible, offer themselves for re-election.

Reference is made to the announcement of the Company dated 24 March 2025.

Mr. Ru Xiquan, an executive Director will be subject to retirement by rotation according to the Articles and Mr. Ru have notified the Company that he will not offer himself for re-election at the 2025 AGM. Mr. Ru confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that will need to be brought to the attention of the Shareholders.

The Board would like to express its sincere gratitude to Mr. Ru for his tremendous contributions to the Company during his service to the Company.

Board Diversity Policy

The Nomination Committee has adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversity of members of the Board, which is summarised below:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Nomination Committee works to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and objectives. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the Year and at the date of this report, the Board has nine Directors, one of which is a female. The Board determines that gender diversity has been achieved in respect of the Board. As at 31 December 2024, the Group hired a total of approximately 3,070 contract employees and Shenguan Collagen, a major subsidiary of the Group, employed a total of 2,800 full-time and contract employees as at 31 December 2024 (2023: 2,523), of whom 61% (2023: 58%) were male and 39% (2023: 42%) were female, with a similar proportion across the Group. The Board believes that the proportion has reached the target of gender diversity in terms of overall workforce, and the Group will maintain a similar proportion in the foreseeable future. As for the senior management members of the Group for the Year, namely Mr. Wen Jinpei, Mr. Ng Yuk Yeung, Mr. Chen Yong, Mr. Zhou Yuanzhong and Mr. Yu Yubin, all of whom are male. Since there are only five senior management members for the Year, the Board believes that it will be difficult to achieve a certain proportion of female in the short term in light of fewer senior management members, but the Board will still actively consider to include female as senior management members in the future. The Board reviews the implementation and effectiveness of the Board Diversity Policy on an annual basis.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on 28 December 2018 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time and attention to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

The Nomination Committee recommended to the Board for the re-election of Directors in the annual general meeting held on 3 June 2024, in accordance with the terms of reference of the Nomination Committee as follows:

i. the Nomination Committee and/or the Board would review the overall contribution and service to the Company of the retiring Directors and his/her level of participation and performance on the Board;

ii. the Nomination Committee and/or the Board would also review and determine whether the retiring Director continues to meet the criteria as set out above. If an independent non-executive Directors subject to the re-election, the Nomination Committee and/or the Board would also assess and consider whether the independent non-executive Director would continue to satisfy the independence requirements as set out in the Listing Rules; and

iii. the Nomination Committee and/or the Board would then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting. In addition, the Nomination Committee has reviewed the overall contribution and service to the Company of each of the retiring Directors for the year ended 31 December 2023.

Therefore, the Nomination Committee had recommended to the Board to that each of Ms. Zhou Yaxian, Mr. Ru Xiquan and Mr. Meng Qinguo shall be proposed to Shareholders for re-election at the annual general meeting held on 3 June 2024.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") on 28 December 2018. A summary of this policy is disclosed as below.

Subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operation environment is stable and there is no significant investment or commitment made by the Group, after taking into account the factors as detailed below and determined by the Board from time to time. The remaining net profits will be used for the Group's development and operations. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

In proposing any dividend payout, the Board shall also take into account, *inter alia*:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions of the Group, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board deems appropriate.

Any final dividends declared by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Group.

The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

Model Code Set out in Appendix C3 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules on the Stock Exchange as its own code of conduct regarding Directors' securities transactions. The Company has also adopted the Model Code for the members of senior management of the Group.

The Company has made specific enquiry with all the Directors and all the Directors have confirmed that they had complied with the Model Code during the Year. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company during the Year.

Anti-Corruption and Whistle-blowing Policies

The Group has established anti-corruption and whistle-blowing policies, to provide guidance on identifying relevant breaches or improper behavior, reporting procedures and consequences of violations of such policies.

Corporate Governance Functions

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

During the Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the employee guideline, and the Company's compliance with the Code and disclosure in this report.

Induction and Professional Development

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments to ensure they have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they have been continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the Year to the Company.

Supply of and Access to Information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and at least 3 days before the intended date of a Board meeting thus allowing the Board to make informed and effective decisions.

All Directors are entitled to have access to Board papers, minutes and related materials.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 19 September 2009 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, develop and implement policy on the engagement of external auditors to supply non-audit services, monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained therein and review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function. The members of the Audit Committee consist of three independent non-executive Directors, namely Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong. Mr. Tsui Yung Kwok who possesses a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee. The Audit Committee shall meet at least twice a year.

The terms of reference of the Audit Committee is available on the websites of the Stock Exchange and the Company as required by the Code.

During the Year, the Audit Committee reviewed the final results for the year ended 31 December 2023, the interim results for the six months ended 30 June 2024 of the Group and the Group's internal controls for the year ended 31 December 2023. The Group's final results for the Year has been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee has also reviewed this annual report, and confirmed that this annual report is complete and accurate, and has complied with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held three meetings and passed one written resolution during the Year. Details of the attendance of the Audit Committee meetings are as follows:

	Attendance/ Number of meetings held
Mr. Tsui Yung Kwok *(Chairman)*	3/3
Mr. Meng Qinguo	3/3
Mr. Zhou Xiaoxiong	3/3

Auditors' Remuneration

During the Year, the fees incurred for audit and non-audit services provided by the auditors to the Group are set out as follows.

Type of services	**Fee paid/payable** *RMB'000*
Audit services	2,912
Non-audit services *(Note)*	90
	3,002

Note: Non-audit service mainly represent agreed-upon procedures and taxation services.

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 19 September 2009. The primary duties of the Nomination Committee are to review the structure, size and composition (including gender, age, cultural and educational background, professional experience, length of service, skills, knowledge and experience) of the Board, identify individuals suitably qualified to become Board member, assess the independence of independent non-executive Directors, review the Board Diversity Policy and the progress on achieving the objectives set for implementing such policy, review the time commitment required of Directors and evaluate whether Directors have committed adequate time and attention to discharge their liabilities, review and implement the Nomination Policy. A summary of the Board Diversity Policy and Nomination Policy are set out respectively in the section headed "Board Diversity Policy" and "Nomination Policy" in this Corporate Governance Report. The Nomination Committee consists of an executive Director, namely Ms. Zhou Yaxian, and two independent non-executive Directors, namely Mr. Meng Qinguo and Mr. Zhou Xiaoxiong. Ms. Zhou Yaxian is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, assessing the independence of the independent non-executive Directors, reviewing the Company's Board Diversity Policy, considering the nomination and re-election of the Directors in the annual general meeting and the progress on achieving the objectives set for implementing such policy, and other related matters. Where necessary, the nomination committee could seek independent professional advice to perform its duties at the Company's expense.

The terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company as required by the Code.

The Nomination Committee held one meeting and passed one written resolutions during the Year. Details of the attendance of the Nomination Committee meeting are as follows:

	Attendance/ Number of meetings held
Ms. Zhou Yaxian *(Chairman)*	1/1
Mr. Meng Qinguo	1/1
Mr. Zhou Xiaoxiong	1/1

At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors, and reviewed the Board Diversity Policy and other related matters of the Company.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Directors passed on 19 September 2009 in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to consult the chairman of the Board about their remuneration proposals for other executive Directors, make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management, assessing performance of the executive Directors, make recommendation to the Board on the remuneration packages of individual Directors' and senior management and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The Remuneration Committee comprises, an executive Director, namely Ms. Zhou Yaxian, and two independent non-executive Directors, namely Mr. Meng Qinguo and Mr. Zhou Xiaoxiong. Mr. Meng Qinguo is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss the remuneration packages and related matters in relation to the Directors and the senior management. No Director is allowed to be involved in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company as required by the Code.

The Remuneration Committee held one meeting and passed one written resolutions during the Year. Details of the attendance of the Remuneration Committee meeting are as follows:

	Attendance/ Number of meetings held
Mr. Meng Qinguo *(Chairman)*	1/1
Ms. Zhou Yaxian	1/1
Mr. Zhou Xiaoxiong	1/1

At the meeting, the Remuneration Committee reviewed and made recommendations to the Board on the remuneration policies and performance of the Directors and the senior management for the year of 2023 as well as the remuneration packages for the Year.

Remuneration of Directors and Senior Management

The Group has paid and accrued the amounts of approximately RMB4,156,000, RMB1,590,000, RMB1,652,000, RMB1,518,000, RMB438,000, RMB73,000, RMB227,000, RMB227,000, RMB227,000 to Ms. Zhou Yaxian, Mr. Ru Xiquan, Mr. Mo Yunxi, Mr. Sha Junqi, Mr. Li Chenglin, Dato' Sri Low Jee Keong, Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong respectively, as Directors' remuneration, for the Year.

Directors' remuneration is determined based on a variety of factors such as market conditions, qualifications and responsibilities assumed by each Director. As at 31 December 2024, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group in the Year falls within the following bands:

	Number of individuals
HK$0 to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	4

Directors' and Auditors' Responsibility for the Financial Statements

All Directors acknowledge their responsibility for preparing the accounts and the financial statements for the Year. The auditors to the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the Year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Financial Control of the Group

Mr. Ng Yuk Yeung, who is a vice president of the Company, is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position and are in compliance with the disclosure requirement of the Companies Ordinance (Chapter 622, Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. Mr. Ng communicates with the Audit Committee and co-ordinates with external auditors on a regular basis. In addition, Mr. Ng will review the control of financial risks of the Group and provide advices thereon to the Board.

Company Secretary

Mr. Ng Yuk Yeung has been appointed as the company secretary of the Company (the "Company Secretary") with effect from 19 September 2009. Mr. Ng is also a vice president of the Group. The Company Secretary reports directly to the Board chairman and the Board should approve the selection, appointment and dismissal of the Company Secretary. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information.

The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Articles at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for fostering and managing the Group's investors relationship. The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

Risk Management and Internal Control

The Group's risk management and internal control systems provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations effectively.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established and assigned for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to provide internal audit services, which assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules; and the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the issuer's ESG performance and reporting. The Board considers the Group's risk management and internal control systems are effective and adequate. The Board has confirmed that the Group has complied with the code provisions D.2.1 to D.2.7 and all other provisions related to risk management and internal control in the Code during the Year.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels such as seminars with the media, analysts and fund managers. Designated senior management holds regular dialogue with institutional investors and analysts which enables them to keep abreast of the Group's latest developments. In addition, the Group's website presents the most updated information and the status of the business development of the Group.

Constitutional Documents

There has been no change in the Company's constitutional documents during the Year.

General Meetings with Shareholders

The 2024 annual general meeting ("2024 AGM") was held on 3 June 2024. On 29 November 2024, the Company also held an extraordinary general meeting ("EGM"). For the details of resolutions being considered and duly passed at the EGM, please refer to the circular of the Company dated 13 November 2024. The attendance record of the Directors at the 2024 AGM and the EGM is as follows:

	Attendance/ General Meeting held	
	EGM	**2024 AGM**
Ms. Zhou Yaxian *(Chairman and President)*	1/1	1/1
Mr. Ru Xiquan	1/1	1/1
Mr. Mo Yunxi	1/1	1/1
Mr. Sha Junqi	1/1	1/1
Mr. Li Chenglin	1/1	1/1
Dato' Sri Low Jee Keong	1/1	1/1
Mr. Tsui Yung Kwok	1/1	1/1
Mr. Meng Qinguo	1/1	1/1
Mr. Zhou Xiaoxiong	1/1	1/1

The Company's external auditors also attended the 2024 AGM.

Communication with Shareholders

The Company and the senior management recognise the responsibility to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The forthcoming annual general meeting of the Company will be held on 6 June 2025.

After taking into account that the Shareholders have multiple channels to communicate their views as mentioned in this report as well as the steps taken by the Board to solicit and understand the views of Shareholders and stakeholders during the year ended 31 December 2024 including but not limited to open discussion with the Shareholders during the annual general meeting, the Board's review of the implementation and effectiveness of the shareholders' communication policy was found to be sound and adequate. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. The Company reports its financial and operating performance to shareholders through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website (http://www.shenguan.com.hk).

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries or concerns to the Board in writing to the following address of the Hong Kong Office of the Company:

Shenguan Holdings (Group) Limited
Unit 2902, Sino Plaza
255–257 Gloucester Road
Causeway Bay
Hong Kong
Attention: Mr. Ng Yuk Yeung

Procedures for Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings by Shareholders

Pursuant to article 58 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) may do so in the same manner.

Pursuant to article 85 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders may also contact the Company through the details as mentioned in the section headed "Procedures for Directing Shareholders' Enquiries to the Board" above for procedures for putting forward proposals at general meetings.

Ms. Zhou Yaxian
Chairman of the Board and President of our Company

Executive Directors

Aged 65, Ms. Zhou is a founder of the Group and a director of all the subsidiaries of the Company. She is primarily responsible for the Group's overall strategic planning, technology and business management. Ms. Zhou has nearly 45 years of experience in the collagen sausage casing industry. Before founding the Group, she had been involved in the trial production of collagen sausage casings in the Meat Products Factory of Wuzhou Food Products Corporation (梧州市食品總公司肉類製品廠) from 1979 to 1989 and was employed by Wuzhou Protein Casing Factory (梧州市蛋白腸衣廠) ("Wuzhou Protein Factory") in 1989, mainly responsible for technology development. She was appointed as the head of Wuzhou Protein Factory and the Deputy General Manager of Guangxi Wuzhou Zhongheng Group Co., Ltd. (廣西梧州中恒集團股份有限公司) in 1992 and 1997, respectively. Since 2004, Ms. Zhou has been the chairman of the board of directors and the general manager of Guangxi Shenguan Collagen Biological Group Company Limited (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen") (formerly known as Wuzhou Shenguan Protein Casing Co., Ltd. (梧州神冠蛋白腸衣有限公司)). Ms. Zhou retired as the general manager of Shenguan Collagen on 1 January 2024. Ms. Zhou is also the mother of Mr. Sha Junqi, an executive Director.

Ms. Zhou completed the course of Economic Management held by The Central Party School (中共中央黨校) in December 2001. She is one of the inventors of four national patents in respect of production method and facilities for collagen sausage casings and has received special allowances granted by the State Council since 2008. Ms. Zhou was awarded the "The Third Class Prize in National Science and Technology Advancement Award" (國家科學技術進步三等獎) by the National Science and Technology Committee of the PRC (中華人民共和國國家科學技術委員會) in 1995, the "Guangxi Outstanding Expert" (廣西優秀專家) by the Wuzhou Government in 2006, the "Influential Person in China Meat Industry" (中國肉類行業影響力人物) by the China Meat Association (中國肉類協會) in 2007, the "2007 Guangxi Outstanding Entrepreneur" (2007年度廣西優秀企業家) jointly by the Guangxi Enterprises Union (廣西企業聯合會) and the Guangxi Entrepreneurs Association (廣西企業家協會) in 2008, the "China Outstanding Female Entrepreneur" (中國傑出創業女性) by the China Female Entrepreneurs Association (中國女企業家協會) in 2008, the "Binshan Cup Technological Innovative Figure in China Meat Industry" (冰山杯－中國肉類產業科技創新人物) in 2009, the "Technological Leaders in China Meat Industry" (中國肉類產業科技領軍人物) by the China Meat Association (中國肉類協會) in 2012, and the "Influential Entrepreneur of China Meat Product Industry" (中國肉類食品行業影響力企業家) by the China Meat Association (中國肉類協會) in 2013. She was appointed as a Director on 24 February 2009 and redesignated as an executive Director, and appointed as the Chairman of the Board on 19 September 2009.

Ms. Zhou is also a director of Shenguan Biology Science & Technology Investment Company Limited ("Hong Kong Shenguan"), Glories Site Limited ("Glories Site"), Xian Sheng Limited ("Xian Sheng") and Rich Top Future Limited ("Rich Top Future"), all are companies having an interest in the shares of the Company.

Aged 62, Mr. Ru is primarily responsible for matters relating to the Group's accounting, treasury and financial planning. He has nearly 34 years of experience in the collagen sausage casing industry. Mr. Ru graduated from Guangxi Central Radio and TV University (廣西廣播電視大學) and attained the Professional Qualification Graduation Certificate in Finance and Accounting in July 1989. He obtained the certificate of accounting professional issued by the Wuzhou Finance Bureau in November 2001. He also completed the course of Economic Management held by The Central Party School (中共中央黨校) in 2002. Mr. Ru is an accountant and joined Wuzhou Protein Factory as the Head of the Finance and Accounting Department in 1990. He has been the Chief Accountant of Shenguan Collagen since 2004, responsible for matters relating to accounting and finance. He was appointed as a Director on 19 September 2009.

Aged 56, Mr. Mo is primarily responsible for the Group's production and corporate management. He has long been engaged in product development and has nearly 32 years of experience in the collagen sausage casing industry. Mr. Mo graduated from Tianjin College of Commerce (天津商學院), majoring in Food Engineering in July 1990. Mr. Mo joined Wuzhou Protein Factory in 1993 and he has been the Deputy General Manager of Shenguan Collagen since 2004. Mr. Mo is a senior engineer in food engineering. He was awarded the "First Prize in Wuzhou Science and Technology Advancement" (梧州市科學技術進步一等獎) and the "First Prize in Guangxi Outstanding Achievement on New Products" (廣西新產品優秀成果一等獎) by the Wuzhou Government and The People's Government of Guangxi, respectively, in 2008. He was appointed as a Director on 16 May 2012.

Aged 38, Mr. Sha is the son of Ms. Zhou Yaxian, our executive director and one of the controlling shareholders of the Company. Mr. Sha obtained a master of science (Technopreneurship and Innovation) from Nanyang Technological University, Republic of Singapore on 1 July 2015. Mr. Sha has been the chief director of 廣州神冠商貿有限公司, a wholly-owned subsidiary of the Company since April 2016 and the chief director of Ferguson (Wuhan) Biotech Co., Ltd (福格森（武漢）生物科技股份有限公司), an associate of the Company since December 2017. Mr. Sha has been promoted as the vice president of the Company with effect from 6 December 2021. Mr. Sha was also appointed as the President of Shenguan Collagen with effect from 1 January 2024. Mr. Sha was appointed as the Vice-Chairman of the Federation of HK Guangxi Community Organisations Ltd. (香港廣西社團總會) on 11 November 2024. Mr. Sha is mainly responsible for the overall operation especially the sales department of Shenguan Collagen and is also assisting Ms. Zhou Yaxian, the chairman of the Company, in the daily management of the operation of the Group and responsible for the planning and marketing of three new products, namely, collagen food, collagen skincare products and collagen medical devices, and the construction and management of the Group's information system. He was appointed as a Director on 31 May 2023.

Mr. Li Chenglin
Vice President of Shenguan Collagen and Executive Director

Mr. Li, aged 53, obtained a certificate for professional qualifications in documents and archives (文書檔案) from Guangxi University in July 1991. In June 2005, Mr. Li obtained a bachelor degree of business and administration from the cooperation school (合作學校) of Central Radio and Television University and Dongbei University of Finance and Economics. Mr. Li obtained the Qualification Certificate of Intermediate level of Speciality and Technology and the qualification of senior economist in business management and economics in November 1997 and December 2013 in the PRC, respectively.

Mr. Li has more than 15 years of experience in the collagen sausage casing industry. Mr. Li joined Wuzhou Pine Resin Factory (梧州松脂廠) in 1991 and served as the deputy officer of the factory manager's office since 1994. From 2000 to 2008, served as Secretary of the Board of Directors of Guangxi Wuzhou Pine Resin Co., Ltd (廣西梧州松脂股份有限公司). Mr. Li joined the Group on September 1, 2009 as the head of the securities legal department and was appointed as the assistant to the general manager of Wuzhou Shenguan Protein Casing Co., Ltd. 梧州神冠蛋白腸衣有限公司 in 2015. Since 2020, he has been the Vice President of Shenguan Collagen. Mr. Li is mainly responsible for the Group's corporate management, statistics and legal matters. Mr. Li is currently acting as a director of a subsidiary of the Company and as supervisors of some of the subsidiaries of the Company. He was appointed as a Director on 31 May 2023.

Non-executive Director

Dato' Sri Low Jee Keong

Aged 59, Dato' Sri Low's Chinese name 劉子強 is an unofficial name. Dato' Sri Low has nearly 32 years of experience in the collagen sausage casing industry. Before founding the Group, Dato' Sri Low, through Exceltech Food Trading SDN. BHD. (formerly known as Exceltech Enterprise), started his business relationship with Wuzhou Protein Factory for the resale of edible collagen sausage casing products in Malaysia in 1993, and has maintained the relationship with Shenguan Collagen after the acquisition of the entire ownership rights of Wuzhou Protein Factory by Shenguan Collagen in November 2004. Dato' Sri Low is a founder of the Group and has been a director of Shenguan Collagen since 2004. Dato' Sri Low has not been involved in the Group's day-to-day operations as he resides in Malaysia. However, he has participated, and will continue to participate, in the strategic planning and decision-making processes in the Group's business operations. Dato' Sri Low was awarded a Datukship by Pahang State Government of Malaysia on 24 October 2012. He was appointed as a Director on 19 September 2009. Dato' Sri Low is a director of Wealthy Safe Management Limited and Brighter Lane Limited, both of which has an interest in the share of the Company.

Independent Non-executive Directors

Mr. Tsui Yung Kwok

Aged 56, Mr. Tsui was awarded a bachelor's degree in Business (Accounting) by Curtin University of Technology, Australia in August 1992 and a master degree in Corporate Governance by The Hong Kong Polytechnic University in December 2007. Mr. Tsui has nearly 31 years of experience in accounting and finance. He held a senior position in an international accounting firm in Hong Kong from 1994 to 2003 and was the Chief Financial Officer of Qin Jia Yuan Media Services Company Limited (Hong Kong stock code: 02366), the shares of which are listed on the Stock Exchange, from 2003 to 2004. Mr. Tsui has been the Chief Financial Officer of Ju Teng International Holdings Limited (Hong Kong stock code: 03336), the shares of which are listed on the Stock Exchange, since 2004. Mr. Tsui became an executive director of Ju Teng International Holdings Limited in June 2005 and was the company secretary from 2004 to 1 March 2017. Mr. Tsui has also served as an independent non-executive director of Cabbeen Fashion Limited (Hong Kong stock code: 02030) and Intron Technology Holdings Limited (Hong Kong stock code: 01760) since February 2013 and June 2018, respectively, the shares of which are all listed on the Stock Exchange. Mr. Tsui was an independent non-executive director of 361 Degrees International Limited (Hong Kong stock code: 01361) from September 2012 to 20 May 2019 and was an independent non-executive director of SITC International Holdings Limited (Hong Kong stock code: 01308) from September 2010 to 18 December 2020. Mr. Tsui is a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Chartered Governance Institute. He was appointed as a Director on 19 September 2009.

Mr. Meng Qinguo

Aged 67, Mr. Meng was awarded a master degree and a doctorate degree in Law by Wuhan University (武漢大學) in July 1985 and July 2001, respectively. He had been a Senior Visiting Scholar at the University of California, Berkeley, member of the Supervisory Division of Higher Education Institutions Legal Education of Ministry of Education of China (教育部高等學校法學學科教學指導委員會委員), director of China Law Society (中國法學會), standing director and Vice-Chairperson of China Civil Law Society (中國法學會民法學會), and the Vice-Chairperson of Guangxi Law Society (廣西法學會). Mr. Meng is currently a tutor to Ph.D students in civil and commercial law at Wuhan University (武漢大學), and the Vice-Chairperson of the Consumer Protection Law Research Centre of China Law Society (中國法學會消費者權益保護法研究會) and has received government special allowances granted by the State Council.

Mr. Meng was an independent director of Sealand Securities Co., Ltd. (國海證券股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange, until December 2014, and he had been appointed as special legal consultant from January 2015 to January 2018. Mr. Meng has also served as an independent director of Vanho Securities Co., Ltd. (萬和証券股份有限公司) since 14 April 2022. Mr. Meng was appointed as a Director on 19 September 2009.

Mr. Zhou Xiaoxiong

Aged 64, Mr. Zhou has more than 40 years of experience in the sectors such as financial services and investment banking. Mr. Zhou obtained a bachelor's degree in Economic Information Management (經濟信息管理系) and completed his postgraduate study in World Economics (世界經濟) from Renmin University of China in 1983 and 1998 respectively. He obtained a master degree in Master of Business Administration from Tsinghua University in 2008. Mr. Zhou has worked as senior management in a number of financial institutions in the PRC including the president of Zhongshan Securities Co., Ltd. (中山證券有限責任公司) from 2002 to 2006 and the chairman of J.P. Morgan Futures Company Limited (摩根大通期貨有限公司) from 2006 to 2021.

Mr. Zhou has been serving as an independent non-executive director of China Boton Group Company Limited (a company listed on the main board of the Stock Exchange, stock code: 3318) since November 2005, concurrently as an external director of Sunwoda Electronic Co., Ltd. in Shenzhen (a company listed on the ChiNext Market of Shenzhen Stock Exchange, stock code: 300207) since September 2008, an independent director of Shenzhen Ellassay Fashion Co., Ltd. (a company listed on the main board of Shanghai Stock Exchange, stock code: 603808) from January 2018 to January 2024 and an independent director of Shenzhen Laibao High-tech Co., Ltd. (a company listed on the main board of Shenzhen Stock Exchange, stock code: 2106) since April 2022. He was appointed as a Director on 31 May 2023.

Senior Management

Aged 63, Mr. Wen is primarily responsible for the Group's human resources, procurement of raw materials and supplies, investment and development planning. Mr. Wen graduated with a bachelor's degree in Engineering from Guangdong Ocean University in July 1982 and was named Senior Engineer in technological engineering in 1996. He was responsible for plan control, economy management, state-owned and collective assets management as well as technology management. Mr. Wen was the Deputy Officer of Wuzhou Planning Committee (梧州市計劃委員會), Deputy Officer of Wuzhou City Collective Industry Association (梧州市城鎮集體工業聯社), Deputy Chief of Wuzhou Medicinal Chemistry Bureau (梧州市醫藥化學工業局), Deputy Officer of Wuzhou Economic and Commerce Committee (梧州市經濟貿易委員會), Deputy Officer of Wuzhou People's Government Asset Management Committee (梧州市人民政府國有資產監督管理委員會) and Deputy Chief of Wuzhou Technology Bureau (梧州市科學技術局) from 1995 to 2010. He has been the Vice President of Shenguan Collagen and the Company since October 2010.

Aged 51, Mr. Ng attained his bachelor's degree in Computer Science from the University of Hong Kong in November 1995 and is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a CFA Charter holder. Mr. Ng has nearly 29 years of experience in auditing and financial management, which was mostly gained from positions in one of the international firms of certified public accountants from 1996 to 1999 and from 2001 to 2002, and in China Resources Beer (Holdings) Company Limited (formerly known as China Resources Enterprise Limited, Hong Kong stock code: 00291), the shares of which are listed on the Stock Exchange, from 2002 to 2007. Mr. Ng served as an independent non-executive director of BGMC International Limited (Hong Kong stock code: 01693) and Dowway Holdings Limited (Hong Kong stock code: 8403) since July 2017 and May 2018, respectively. Mr. Ng has resigned as an independent non-executive director of Dowway Holdings Limited and BGMC International Limited on 11 October 2019 and 3 July 2020, respectively. Mr. Ng joined the Company in February 2009 as financial controller and has been promoted as the vice president of the Company with effect from 24 March 2023, and is responsible for supervising the financial reporting, corporate finance and investors relationship. Mr. Ng is also the Company Secretary of the Company.

Mr. Chen, aged 57, obtained a bachelor's degree of science in traditional Chinese medicine from the Department of Pharmacy of Guangxi University of Chinese Medicine in July 1990. Mr. Chen obtained the qualification of senior engineer in pharmaceutical engineering in the PRC in December 2012. Mr. Chen has extensive experience in pharmaceutical management and sales. Mr. Chen joined Guangxi Wuzhou Zhongheng Group Co., Ltd. ("Wuzhou Zhongheng") (a company listed on the main board of the Shanghai Stock Exchange, stock code: 600252) in 1990, and held key positions in various departments or subsidiaries of Wuzhou Zhongheng, including served as a supervisor in Guangxi Wuzhou Shuangqian Industrial Co., Ltd. (廣西梧州雙錢實業股份有限公司) from October 2021 to May 2022 and served as the chief brand officer in Guangxi Tianqijiahua Industrial Co., Ltd. (廣西田七家化實業股份有限公司) from June 2022 to April 2023. Mr. Chen was appointed as the vice president of the Company on 1 June 2023, mainly responsible for the production and quality management, planning and marketing of new products in the medical collagen and medical device categories.

Mr. Zhou, aged 56, graduated from the College of Civil Engineering of Hunan University with a bachelor's degree in highways and urban arterials in July 1990. Mr. Zhou obtained the qualification of senior engineer in road and bridge engineering in the PRC in December 2002. Mr. Zhou has extensive experience in infrastructure construction and maintenance management. Mr. Zhou worked in Wuzhou Highway Management Bureau (梧州公路管理局) as the director of the design department, the head and deputy director of the maintenance section from August 1990 to November 2011, the deputy director of the Coastal Highway Management Bureau (沿海公路管理局) from December 2011 to April 2013, and the director of Baise Highway Management Bureau (百色公路管理局) from May 2013 to March 2014. Mr. Zhou was the deputy general manager of Wuzhou Shenguan Real Estate Development Co., Ltd. (梧州市神冠房地產開發有限公司) and the general manager of Wuzhou Huaguan Investment Development Co., Ltd. (梧州市華冠投資開發有限公司) from April 2014 to December 2023. Mr. Zhou was appointed as the vice president of the Company on 1 January 2024, mainly responsible for the Group's administrative logistics, traffic and transportation, the construction and maintenance management of plants and infrastructures. Mr. Zhou is a cousin of Zhou Yaxian, the Chairman and Director, and an uncle of Sha Junqi, the Director.

Mr. Yu, aged 60, graduated from the Department of Mechanical Engineering of the College of Shipbuilding Engineering of Harbin Engineering University in July 1986 with a bachelor's degree. He was awarded the National Model Worker (全國勞動模範) in 2010 and obtained the qualification of senior engineer at researcher level by China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) in 2018. Mr. Yu has extensive experience in mechanical engineering and equipment management. From July 1986 to November 2024, Mr. Yu worked at South China Marine Machinery Co., Ltd. under China Shipbuilding Group (中國船舶集團華南船機有限公司), where he served as an assistant engineer, engineer, director of the innovation studio, chief engineer and academic leader. Mr. Yu was appointed as the vice president of the Company on December 2024, mainly responsible for the Group's equipment innovation, technical renovation and equipment management.

Mr. Yu Yubin
Vice President

The Directors present their report and the audited financial statements for the Year.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the Group's major subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in the manufacture and sale of edible collagen sausage casing products, collagen food products, collagen skin care products and polymer collagen medical biomaterials.

Business Review

Further discussion and analysis of the activities of the Group for the Year and an indication of likely future developments in the Group's business can be found in the section headed "Management Discussion and Analysis" as set out on pages 8 to 18 of this annual report. These discussions form part of this directors' report.

Principal Risks and Uncertainties

A number of factors may affect the results and business operations of the Group, some of which are inherent to the industry and some are from external sources. Major risks are summarized below.

The Group's business depends on a stable and adequate supply of raw materials, which is subject to price volatility and other risks

The production volume and production costs of the Group are dependent on the Group's ability to source at acceptable prices and maintain a stable and sufficient supply of raw materials such as cattle's inner skins and packaging materials. If the Group is unable to obtain raw materials in the quantities and of a quality that the Group requires, the volume or quality of the production and the revenue of the Group may be adversely affected.

The Group may face competition from international competitors or competition from other substitutes for edible collagen sausage casing products which may affect the profits of the Group

Overseas competitors may take measures such as establishing production lines in the PRC or reducing price of their products to gain entry into the PRC market. This may cause the Group to experience downward pressure on the price and profit margins.

The Group may also face competition from other substitute products for edible collagen sausage casing products such as natural sausage casing. If the customers prefer any of the substitutes for edible collagen sausage casing products over the products of the Group, the business and profitability of the Group may be adversely affected.

Any substantial changes in the domestic demand of the Group's products in the PRC may adversely affect the performance and profitability of the Group

Sales in the PRC represent a significant proportion of the total revenue of the Group. Accordingly, the operating results and financial position of the Group are largely subject to the economic, political, social and legal developments in the PRC as well as changes in the domestic demand for the Group's products in the PRC. There is no assurance that such changes in the PRC will not adversely affect the performance and profitability of the Group.

Environmental Policies, Performance and Compliance with Laws and Regulations

The Group is committed to promoting clean production, enhancing the resources utilization, and strives to ensure that its business operations have minimal impact on the environment through recycling and conserving energy.

The Group and its activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, The Food Safety Law of the PRC (《中華人民共和國食品安全法》), The Regulations on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), The Measures for the Administration for Food Production Licensing (《食品生產許可管理辦法》), The Standardization Law of the PRC (《中華人民共和國標準化法》), The Law of Product Quality of the PRC (《中華人民共和國產品質量法》), The Environment Protection Law of PRC (《中華人民共和國環境保護法》), The Production Safety Law of the PRC (《中華人民共和國安全生產法》), The Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), The Metrology Law of People's Republic of China (《中華人民共和國計量法》), The Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法》), The Regulations on the Implementation of the Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法實施條例》). The Group is committed to maintaining legal compliance in business operations and has put in place in-house rules and work procedures to ensure that the Group's operation is in compliance with applicable laws and regulations in material respects.

Key Relationships with Employees, Customers and Suppliers

The Directors consider that human resources are essential to the business success and the development of the Group in the long run. The Group ensures that the remuneration of staff is commensurate with market level and on-the-job training and development are provided to staff members. The Directors also recognize that customers and suppliers are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its suppliers and customers and has ongoing communication with the customers and suppliers through various channels to obtain their feedback and suggestions.

Results and Dividends

The Group's profit for the Year and the Group's financial position at that date are set out in the financial statements on pages 62 to 64 of this annual report.

The Directors recommended the payment of a final dividend of HK2.0 cents per ordinary share and a special final dividend of HK2.0 cents per ordinary share for the Year (the "Final Dividend") to shareholders whose names appear on the register of members of the Company on 17 June 2025 (Tuesday). Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the Final Dividends will be paid on or around 9 July 2025 (Wednesday).

Closure of Register of Members

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 6 June 2025 (Friday), the register of members of the Company will be closed from 3 June 2025 (Tuesday) to 6 June 2025 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 2 June 2025 (Monday). For determining entitlement to the Final Dividends (if approved at the forthcoming annual general meeting), the register of members of the Company will be closed from 12 June 2025 (Thursday) to 17 June 2025 (Tuesday), both days inclusive. The record date will be 17 June 2025 (Tuesday). The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 11 June 2025 (Wednesday). During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, and to qualify for the Final Dividends (if approved at the forthcoming annual general meeting), all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the dates and times stated above respectively.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 140 of this annual report. This summary does not form part of the audited financial statements.

Share Capital and Share Options

Details of movements in the Company's authorised or issued share capital are set out in note 25 to the financial statements. There is no share option outstanding, granted, cancelled and lapsed under the share option scheme of the Company during the Year.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves

For the Year, the profit of the Company amounted to approximately HK$129,900,000. The Company's reserves available for distribution comprise share premium and retained profits. Under the Companies Law of the Cayman Islands, the Company's share premium account may be applied by the Company in paying distributions or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2024, the Company had distributable reserves amounting to approximately HK$317,531,000.

Charitable Contributions

During the Year, the Group made charitable contributions totalling RMB1,368,000.

Major Customers and Suppliers

During the Year, sales to the Group's five largest customers accounted for approximately 26.1% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 7.7%. Purchases from the Group's five largest suppliers accounted for approximately 87.5% of total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 65.0%.

Guangxi Wuzhou Junye Trademark Printing Material Co., Ltd ("Wuzhou Junye Printing Material") and Guangxi Zhiguan Industrial Development Co., Limited ("Guangxi Zhiguan") were one of the Group's five largest suppliers for the Year. As at the date of this report, the registered capital of Wuzhou Junye Printing Material was owned as to 98.83% by Mr. Sha Shuming ("Mr. Sha"), the spouse of Ms. Zhou Yaxian ("Ms. Zhou"), an executive Director and one of the controlling shareholders of the Company, and 1.17% by Mr. Sha Junqi, an executive Director of the Company and the son of Mr. Sha and Ms. Zhou.

On the other hand, Ms. Zhou, together with her associates and Mr. Ru Xiquan and Mr. Mo Yunxi, each an executive Director, own more than 30% of the equity interest in Guangxi Zhiguan.

Save as disclosed above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Emolument Policy

The Remuneration Committee was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

Directors

The Directors during the Year and as at the date of this annual report were as follows:

Executive Directors

Ms. Zhou Yaxian *(Chairman and President)*
Mr. Ru Xiquan
Mr. Mo Yunxi
Mr. Sha Junqi
Mr. Li Chenglin

Non-executive Director

Dato' Sri Low Jee Keong

Independent Non-executive Directors

Mr. Tsui Yung Kwok
Mr. Meng Qinguo
Mr. Zhou Xiaoxiong

In accordance with article 84 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The non-executive Director and independent non-executive Directors are appointed for periods of three years and two years, respectively.

The Company has received annual confirmations of independence from Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong, and as at the date of this annual report, the Company still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 34 to 41 of this annual report.

Directors' Service Contracts

Save and except for Mr. Mo Yunxi, Mr. Sha Junqi and Mr. Li Chenglin, each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 October 2024 and may be terminated by either party by giving not less than three months' prior written notice.

Mr. Mo Yunxi, an executive Director, has entered into a service contract with the Company for a term of three years commencing from 16 May 2024 and may be terminated by either party by giving not less than three months' prior written notice.

Mr. Sha Junqi and Mr. Li Chenglin, executive Directors, have entered into service contracts with the Company for a term of three years commencing from 31 May 2023 and may be terminated by either party by giving not less than three months' prior written notice.

Save and except for Mr. Zhou Xiaoxiong, each of the independent non-executive Directors has entered into a service contract with the Company for a term of two years commencing from 13 October 2023 and may be terminated by either party by giving at least three months' written notice.

Mr. Zhou Xiaoxiong, an independent non-executive Director, has entered into a service contract with the Company for a term of two years commencing from 31 May 2023 and may be terminated by either party by giving not less than three months' prior written notice.

Apart from the foregoing, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Directors' emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration of the Directors are set out in note 8 to the financial statements.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 33 the financial statements and in the section headed "Continuing Connected Transactions and Connected Transactions" in this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the Year.

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.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive in the share (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. Interests and Short Positions in the Shares of the Company

Name of Director	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of issued share capital of the Company
Ms. Zhou Yaxian ("Ms. Zhou")	Interest in a controlled corporation *(Note 2)*	1,588,667,510 (L)	49.18%
	Beneficial owner	3,144,000 (L)	0.10%
Dato' Sri Low Jee Keong ("Dato' Sri Low")	Interest in a controlled corporation *(Note 3)*	414,906,424 (L)	12.84%
Mr. Ru Xiquan ("Mr. Ru")	Beneficial owner	800,000 (L)	0.02%
Mr. Mo Yunxi ("Mr. Mo")	Beneficial owner	800,000 (L)	0.02%
Mr. Sha Junqi	Beneficial owner	18,220,000 (L)	0.56%
Mr. Li Chenglin	Beneficial owner	166,000 (L)	0.01%

2. Long Positions in the Ordinary Shares of Associated Corporations

Name of Director	Name of the associated corporation	Capacity/Nature	No. of shares held/ interested in	Approximate percentage of interest in the associated corporation
Ms. Zhou	Rich Top Future Limited ("Rich Top Future")	Interest in a controlled Corporation *(Note 2)*	65,454	100%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Ms. Zhou holds 100% interest in Shenguan Biology Science & Technology Investment Company Limited ("Hong Kong Shenguan") which holds 100% interest in Glories Site Limited ("Glories Site"), which holds 100% interest in Rich Top Future. Hong Kong Shenguan also holds 100% interest in Xian Sheng Limited ("Xian Sheng"). Therefore, Ms. Zhou is deemed or taken to be, interested in all the Shares which are beneficially owned by Hong Kong Shenguan, Rich Top Future and Xian Sheng for the purpose of the SFO. Ms. Zhou is a director of each of Hong Kong Shenguan, Glories Site, Xian Sheng and Rich Top Future.

3. Dato' Sri Low holds 100% interest in Wealthy Safe Management Limited ("Wealthy Safe") and Brighten Lane Limited ("Brighten Lane") which holds 78,936,000 Shares and 335,970,424 Shares respectively. Therefore, Dato' Sri Low is deemed or taken to be, interested in all the Shares held by Wealthy Safe and Brighten Lane for the purpose of the SFO.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had registered any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 31 December 2024, as far as is known to the Directors, 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:

Name of Shareholders	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of issued share capital of the Company
Rich Top Future	Beneficial owner	1,267,473,510 (L)	39.23%
Xian Sheng	Beneficial owner	248,724,000 (L)	7.70%
Glories Site	Interest in a controlled corporation *(Note 2)*	1,267,473,510 (L)	39.23%
Hong Kong Shenguan	Interest in a controlled corporation *(Note 3)*	1,516,197,510 (L)	46.93%
	Beneficial owner	72,470,000 (L)	2.24%
Mr. Sha Shuming ("Mr. Sha")	Interest of spouse *(Note 4)*	1,591,811,510 (L)	49.27%
Brighten Lane	Beneficial owner *(Note 5)*	335,970,424 (L)	10.40%
Sky Green Limited	Beneficial owner *(Note 6)*	221,585,266 (L)	6.86%
Mr. Wei Cheng	Interest in a controlled corporation *(Note 6)*	273,545,266 (L)	8.47%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Glories Site holds 100% interest in Rich Top Future. Therefore, Glories Site is deemed or taken to be, interested in all the Shares which are beneficially owned by Rich Top Future for the purpose of the SFO.

3. Hong Kong Shenguan holds 100% interest in Glories Site, which holds 100% interest in Rich Top Future. Hong Kong Shenguan also holds 100% interest in Xian Sheng. Therefore, Hong Kong Shenguan is deemed or taken to be, interested in all the Shares which are beneficially owned by Rich Top Future and Xian Sheng for the purpose of the SFO.

4. Ms. Zhou holds 100% interest in Hong Kong Shenguan and Hong Kong Shenguan in turn holds 100% interest in Glories Site, which holds 100% interest in Rich Top Future. Hong Kong Shenguan also holds 100% interest in Xian Sheng. Therefore, Ms. Zhou is deemed or taken to be, interested in all the Shares which are beneficially owned by Hong Kong Shenguan, Rich Top Future and Xian Sheng for the purpose of the SFO. Ms. Zhou beneficially owns 3,144,000 Shares. Mr. Sha is the spouse of Ms. Zhou and therefore, Mr. Sha is deemed or taken to be, interested in all the Shares in which Ms. Zhou is interested for the purpose of the SFO.

5. Dato' Sri Low, our non-executive Director, holds 100% interest in Brighten Lane, which holds 335,970,424 Shares.

6. Mr. Wei Cheng holds 100% interest in Sky Green Limited and Cheng Sheng International Company Limited, which holds 221,585,266 and 51,960,000 Shares respectively. Therefore, Mr. Wei is deemed or taken to be, interested in all the Shares held by Sky Green Limited and Cheng Sheng International Company Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) 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 would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Competing Interests

On 26 January 2015, Guangxi Shenguan Collagen Biological Group Company Limited (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen") (formerly known as Wuzhou Shenguan Protein Casing Co., Ltd. (梧州神冠蛋白腸衣有限公司)) (a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Mr. Sha, the spouse of Ms. Zhou, the Chairman of the Board and an executive Director, pursuant to which Mr. Sha agreed to sell and Shenguan Collagen agreed to purchase the entire equity interest in Guangxi Wuzhou Sanjian Pharmaceutical Company Limited (廣西梧州三箭製藥有限公司) ("Sanjian Pharmaceutical") at a consideration of RMB4,810,000 (the "Acquisition"). Upon completion of the Acquisition, Sanjian Pharmaceutical has become a wholly-owned subsidiary of Shenguan Collagen.

Subsequent to the Acquisition, Guangxi Wuzhou Shennong Pharmaceutical Co., Ltd (廣西梧州神農藥業有限公司) ("Shennong Pharmaceutical"), a joint venture which is owned as to 72% by Ms. Zhou and is principally engaged in the manufacture and sale of pharmaceutical products in the PRC, has become a competing business of Ms. Zhou with the Group.

As disclosed in the prospectus issued by the Company dated 30 September 2009, pursuant to the deed of non-competition dated 19 September 2009 entered into by Ms. Zhou in favour of the Company (the "Deed of Non-competition"), when business opportunities which may compete with the business of the Group arise, Ms. Zhou or any of her associates shall offer to the Company the right of first refusal (the "Right of First Refusal") to take up such business opportunities.

As such, pursuant to the Deed of Non-competition, Ms. Zhou served a written notice to the Company on 8 January 2015 in respect of such matter and offered to the Company the Right of First Refusal to acquire 72% equity interest in Shennong Pharmaceutical for a consideration of RMB17,000,000 (the "Right of First Refusal") and sought the Company's decision as to whether it will exercise its Right of First Refusal to acquire the said 72% equity interests in Shennong Pharmaceutical.

The Directors (excluding Ms. Zhou who had abstained from voting) were of the opinion that it was not appropriate and was not in the best interests of the Company and its shareholders as a whole, for the Company to exercise the Right of First Refusal.

For details of the Acquisition and non-exercise of the Right of First Refusal, please refer to the announcement of the Company dated 26 January 2015.

Save as disclosed above, none of the Directors and their close associates (as defined under the Listing Rules), and the substantial shareholders of the Company had any interests in any business, which competed with or might compete with the business of the Group.

The Board has established a committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis the non-competition undertakings (the "Non-competition Undertakings") given by Ms. Zhou, Dato' Sri Low and Mr. Wei Cheng in three deeds of non-competition respectively entered into by Ms. Zhou, Dato' Sri Low and Mr. Wei Cheng, all dated 19 September 2009. Ms. Zhou, Dato' Sri Low and Mr. Wei Cheng confirmed that (a) they have provided all information necessary for the enforcement of the Non-competition Undertakings as requested by the Committee from time to time; and (b) from the effective date of the Non-competition Undertakings and up to 31 December 2024, they had complied with the Non-competition Undertakings. The Committee was not aware of any non-compliance with the Non-competition Undertakings given by Ms. Zhou, Dato' Sri Low and Mr. Wei Cheng during the same period.

Share Option Scheme

In order to attract and retain the eligible persons, provide additional incentive to them and promote the success of the business of the Group, the Company adopted a share option scheme (the "Scheme") on 29 May 2020 (the "Adoption Date") and amended on 29 November 2024 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares; or to transfer the treasury Shares (the "Treasury Shares") to, the eligible participants (as defined under Chapter 17 of the Listing Rules) of the Group. The Scheme shall be valid and effective for a period of ten years commencing on 29 May 2020, subject to the early termination provisions contained in the Scheme. As at 31 December 2024, the remaining life of the Scheme is approximately 5.5 years.

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$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest 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; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading 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.

The maximum number of Shares issuable (including any Treasury Shares which may be utilised, as applicable) upon exercise of all options to be granted under the Scheme and any other share schemes of the Company as from the Adoption Date must not in aggregate exceed 10% of all the Shares (excluding Treasury Shares) on the Adoption Date. The Company may at any time refresh such limit, by shareholders' approval once every three years. Refreshments within a three year period must be approved by shareholders of the Company (other than the controlling shareholders of the Company (or if there is no controlling shareholder, the directors (excluding independent non-executive directors and chief executive of the Company) and their associates).

The material matter relating to the Scheme had been reviewed and approved by the Remuneration Committee during the year ended 31 December 2024.

The total number of Shares available for issue (including any Treasury Shares which may be utilised, as applicable) under the Scheme as at:(a) 1st January 2024; (b) 31st December 2024; and (c) the date of this report was 323,048,000 Shares, which represented 10% of the total number of issued Shares (excluding Treasury Shares) as at the Adoption Date and the date of this report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue (excluding Treasury Shares).

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

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

There is no share option outstanding, granted, exercised, cancelled or lapsed since the adoption of the Scheme.

The Listing Rule amendments relating to share schemes becomes effective on 1 January 2023. The grant of the share option under the Scheme is subject to those amendments from 1 January 2023.

Continued Connected Transactions and Connected Transactions

During the Year, the Group had the following continuing connected transactions and connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transactions

The Group carried out or entered into the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.76(1) of the Listing Rules) during the Year:

(i) Transactions with Wuzhou Junye Trademark Printing Material Co., Ltd.

On 18 October 2023, the Company entered into a sale and purchase framework agreement (the "Junye Agreement") with Wuzhou Junye Trademark Printing Material Co., Ltd. (梧州駿業商標印刷有限公司) ("Wuzhou Junye Printing Material"), pursuant to which Wuzhou Junye Printing Material agreed to supply packaging materials to the Group for a term of three years from 1 January 2024 to 31 December 2026. The purchases by the Group from Wuzhou Junye Printing Material under the Junye Agreement for the Year amounted to RMB40,222,000 and the annual cap set in the said agreement for the Year was RMB58,350,000.

Wuzhou Junye Printing Material is owned by Mr. Sha Shuming ("Mr. Sha"), the spouse of Ms. Zhou Yaxian ("Ms. Zhou"), as to 98.83% and by Mr. Sha Junqi, a Director of the Company and the son of Mr. Sha and Ms. Zhou, as to 1.17%. Ms. Zhou is a Director and a controlling shareholder of the Company. Wuzhou Junye Printing Material is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

(ii) Transactions with Wuzhou Zhongbo Packaging Co., Ltd.

On 18 October 2023, the Company entered into a sale and purchase framework agreement (the "Zhongbo Agreement") with Wuzhou Zhongbo Packaging Co., Ltd. (梧州市中柏包裝有限公司) ("Wuzhou Zhongbo Packaging"), pursuant to which Wuzhou Zhongbo Packaging agreed to supply packaging materials to the Group for a term of three years from 1 January 2024 to 31 December 2026. The purchases by the Group from Wuzhou Zhongbo Packaging under the Zhongbo Agreement for the Year amounted to RMB8,206,000 and the annual cap set in the said agreement for the Year was RMB12,750,000.

Wuzhou Zhongbo Packaging is owned by Mr. Sha, the spouse of Ms. Zhou, as to 98.33% and by Mr. Sha Junqi, a Director of the Company and the son of Mr. Sha and Ms. Zhou, as to 1.67%. Ms. Zhou is a Director and a controlling shareholder of the Company. Wuzhou Zhongbo Packaging is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

(iii) Transactions with Exceltech Food Trading SDN. BHD, Exceltech Global Investment Pte Limited and Exceltech International Trading SDN. BHD.

On 18 October 2023, the Company entered into a sale and purchase framework agreement (the "Exceltech Agreement") with Exceltech Food Trading SDN. BHD. ("Exceltech Food"), Exceltech Global Investment Pte Limited (優良國際投資有限公司) ("Exceltech Global") and Exceltech International Trading SDN. BHD. ("Exceltech International"), pursuant to which the Group agreed to supply collagen sausage casing products, collagen piece facial mask, food and drink products and organic fertilizers to Exceltech Food, Exceltech Global and Exceltech International for a term of three years from 1 January 2024 to 31 December 2026. The sales from the Group to Exceltech Food, Exceltech Global and Exceltech International under the Exceltech Agreement for the Year amounted to RMB3,397,000 and the annual cap set in the said agreement for the Year was RMB7,000,000.

Exceltech Food is owned by Dato' Sri Low Jee Keong ("Dato' Sri Low"), a Director, as to 80%, Exceltech Global is wholly owned by Dato' Sri Low and Exceltech International is owned by Dato' Sri Low as to 80%. Therefore, each of Exceltech Food, Exceltech Global and Exceltech International is a connected person of the Company under Chapter 14A of the Listing Rules.

(iv) Transactions with Guangxi Zhiguan Industrial Development Co., Limited

On 18 October 2023, the Company entered into a framework agreement (the "Zhiguan Framework Agreement") with Guangxi Zhiguan Industrial Development Co., Limited (廣西志冠實業開發有公司) ("Guangxi Zhiguan"), pursuant to which Guangxi Zhiguan agreed to supply and process cattle skin to the Group) for a term of three years from 1 January 2024 to 31 December 2026. The purchases of cattle skin and cattle skin processing services fee paid by the Group to Guangxi Zhiguan under the Zhiguan Framework Agreement for the Year amounted to a total of RMB377,124,000 and the annual cap set in the said agreement for the Year was RMB443,890,000.

On 11 November 2024, the Company entered into a framework agreement (the "Zhiguan Calcium Oxide Framework Agreement") with Guangxi Zhiguan, pursuant to which the Company agreed to supply calcium oxide to Guangxi Zhiguan for a period from 11 November 2024 to 31 December 2026. Before entering into the Zhiguan Calcium Oxide Framework Agreement, the supply of the calcium oxide to Guangxi Zhiguan constituted fully exempt continuing connected transaction for the Company. The sales of calcium oxide from the Group to Guangxi Zhiguan under the Zhiguan Calcium Oxide Framework Agreement for the Year amounted to a total of RMB3,164,000 and the annual cap set in the said agreement for the Year was RMB3,500,000.

Ms. Zhou, together with her associates and Mr. Ru Xiquan and Mr. Mo Yunxi, each an executive Director, own more than 30% of the equity interest in Guangxi Zhiguan and thus Guangxi Zhiguan is a connected person of the Company under Chapter 14A of the Listing Rules.

For further details of the transactions stated above, please refer to the announcements issued by the Company dated 18 October 2023 and 11 November 2024, and the circulars of the Company dated 10 November 2023.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.76(1) of the Listing Rules) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter to the Board, which contains the findings and conclusions in respect of the continuing connected transactions disclosed above (other than continuing connected transactions that are exempted under Rule 14A.76(1) of the Listing Rules) in accordance with Rule 14A.56 of the Listing Rules.

Related Party Transactions

Save as the transactions disclosed above, the Directors consider that those material related party transactions disclosed in note 33 to the financial statements are "continuing connected transactions and connected transactions" in Chapter 14A of the Listing Rules but are exempted from the reporting, announcement or independent shareholders' approval requirements under the Listing Rules, and the related party transactions disclosed in notes 33(b) and 33(c) to the financial statements are not regarded as connected transactions or continuing connected transactions under the Listing Rules.

Corporate Governance

The Company has applied the code provisions set out in the Code contained in Appendix C3 to the Listing Rules. The Company has complied with the code provisions of the Code for the year ended 31 December 2024, save for the exceptions explained in the Corporate Governance Report in this annual report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this annual report.

Permitted Indemnity Provisions

Pursuant to article 164 of the articles of association of the Company, every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

Auditors

The consolidated financial statements of the Company for the year ended 31 December 2024 have been audited by Ernst & Young. Ernst & Young will retire as auditors of the Company and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhou Yaxian
Chairman

Hong Kong
24 March 2025

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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To the shareholders of Shenguan Holdings (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shenguan Holdings (Group) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 139, 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 HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

To the shareholders of Shenguan Holdings (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete and slow-moving inventories As at 31 December 2024, the Group had inventories (net of provision) amounting to approximately RMB814 million, which represented 29% of the total assets of the Group. As at 31 December 2024, a provision of approximately RMB46.8 million for inventories was recorded by the Group. We focused on this area because the balance of inventories was material to the consolidated financial statements. Also, the determination of the provision involved significant estimates. Related disclosures are included in notes 2.4, 3, 6 and 17 to the consolidated financial statements.	We obtained an understanding of the Group's practices on inventory management, and assessed the Group's policy on identification and valuation of obsolete, slow-moving, excess and other inventory items whose costs might not be fully recoverable. We checked on a sampling basis the ageing of inventories and the sales and usage of inventories after the end of the reporting period. We evaluated the estimates and underlying data used by the Group in calculating the net realisable values of inventories and recalculated the provision balance.
Expected credit losses ("ECLs") for trade and bills receivables As at 31 December 2024, the Group had trade and bills receivables with a total carrying amount of approximately RMB158.8 million. HKFRS 9 *Financial Instruments* requires the use of the ECL model for the estimation of loss allowances of financial assets. Management uses the simplified approach and general approach to calculate ECLs for trade receivables and bills receivables, respectively. Management has engaged an independent specialist to determine the ECLs. We focused on this area because the carrying amounts of the trade and bills receivables were significant to the Group and significant management judgements and estimates were involved in determining the ECLs with reference to historical loss record and forward-looking information. Related disclosures are included in notes 2.4, 3, 6 and 18 to the consolidated financial statements.	We obtained an understanding of the Group's credit risk management policy and practices, and evaluated whether the Group's assessment of the ECL allowance was in accordance with the requirements of HKFRS 9, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; and (ii) the use of available credit risk information, including historical and forward-looking information. We obtained and reviewed, with the assistance of our internal specialist, the ECL calculation prepared by management which was based on the Group's historical credit loss experience and adjusted with the aid of the external specialist engaged by management, for forward-looking factors specific to the debtors and the economic environment. We assessed the competence, objectivity and independence of the external specialist engaged by the management of the Group.

To the shareholders of Shenguan Holdings (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

Other information Included in the Annual Report

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

To the shareholders of Shenguan Holdings (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

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

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

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

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

To the shareholders of Shenguan Holdings (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 Lin, Yang.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**1,016,812**	1,110,412
Cost of sales		**(845,729)**	(939,556)
Gross profit		**171,083**	170,856
Other income and gains, net	5	**57,700**	104,111
Selling and distribution expenses		**(33,518)**	(34,963)
Administrative expenses		**(131,085)**	(150,773)
Finance costs	7	**(7,295)**	(9,111)
Share of loss of an associate		**(3,128)**	(2,318)
Impairment of trade and bills receivables		**(5,362)**	(8,677)
Impairment of financial assets included in prepayments, other receivables and other assets		**(4,248)**	(1,203)
PROFIT BEFORE TAX	6	**44,147**	67,922
Income tax expense	10	**(15,247)**	(38,379)
PROFIT FOR THE YEAR		**28,900**	29,543
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**5,025**	5,937
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**5,025**	5,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33,925**	35,480
Profit attributable to:			
Owners of the parent		**26,664**	31,242
Non-controlling interests		**2,236**	(1,699)
		28,900	29,543
Total comprehensive income attributable to:			
Owners of the parent		**31,689**	37,179
Non-controlling interests		**2,236**	(1,699)
		33,925	35,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic *(RMB cents per share)*		**0.8**	1.0
Diluted *(RMB cents per share)*		**0.8**	1.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**977,416**	1,003,516
Investment properties	14	**30,828**	14,231
Net investments in sublease	15(f)	**372**	–
Right-of-use assets	15(a)	**104,532**	107,316
Investment in an associate	16	**–**	3,128
Deferred tax assets	24	**15,340**	13,903
Prepayments, other receivables and other assets	19	**47,154**	50,921
Time deposits	20	**114,000**	134,000
Total non-current assets		**1,289,642**	1,327,015
CURRENT ASSETS			
Inventories	17	**813,976**	504,482
Trade and bills receivables	18	**158,838**	182,665
Prepayments, other receivables and other assets	19	**34,098**	53,155
Net investments in sublease	15(f)	**274**	–
Tax recoverable		**70**	18
Pledged deposits	20	**28,478**	65,955
Cash and cash equivalents	20	**503,804**	824,006
Total current assets		**1,539,538**	1,630,281
CURRENT LIABILITIES			
Trade and bills payables	21	**111,160**	101,658
Other payables and accruals	22	**140,532**	149,084
Interest-bearing bank borrowings	23	**240,285**	272,842
Lease liabilities	15(b)	**3,605**	3,271
Tax payable		**12,774**	27,082
Total current liabilities		**508,356**	553,937
NET CURRENT ASSETS		**1,031,182**	1,076,344
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,320,824**	2,403,359
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**4,085**	1,254
Deferred income		**16,402**	19,504
Deferred tax liabilities	24	**7,646**	6,385
Total non-current liabilities		**28,133**	27,143
Net assets		**2,292,691**	2,376,216

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	27,807	27,807
Reserves	27	2,269,078	2,354,839
		2,296,885	2,382,646
Non-controlling interests		(4,194)	(6,430)
Total equity		2,292,691	2,376,216

Ms. Zhou Yaxian
Director

Mr. Ru Xiquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent											
	Issued Capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000 (note 27(i))	Reserve funds RMB'000 (note 27(ii))	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000 (note 27(iii))	Property revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	27,807	98,081	59	373,151	23,502	(91,114)	(264,343)	2,943	2,354,087	2,524,173	(4,731)	2,519,442
Profit for the year	–	–	–	–	–	–	–	–	31,242	31,242	(1,699)	29,543
Other comprehensive income for the year												
Exchange differences on translation of financial statements	–	–	–	–	–	5,937	–	–	–	5,937	–	5,937
Total comprehensive income for the year	–	–	–	–	–	5,937	–	–	31,242	37,179	(1,699)	35,480
Final 2022 dividend and special dividend	–	–	–	–	–	–	–	–	(178,706)	(178,706)	–	(178,706)
At 31 December 2023	27,807	98,081*	59*	373,151*	23,502*	(85,177)*	(264,343)*	2,943*	2,206,623*	2,382,646	(6,430)	2,376,216

	Attributable to owners of the parent											
	Issued Capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000 (note 27(i))	Reserve funds RMB'000 (note 27(ii))	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000 (note 27(iii))	Property revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	27,807	98,081	59	373,151	23,502	(85,177)	(264,343)	2,943	2,206,623	2,382,646	(6,430)	2,376,216
Profit for the year	–	–	–	–	–	–	–	–	26,664	26,664	2,236	28,900
Other comprehensive income for the year												
Exchange differences on translation of financial statements	–	–	–	–	–	5,025	–	–	–	5,025	–	5,025
Total comprehensive income for the year	–	–	–	–	–	5,025	–	–	26,664	31,689	2,236	33,925
Final 2023 dividend and special dividend	–	–	–	–	–	–	–	–	(117,450)	(117,450)	–	(117,450)
Transfer from retained profits	–	–	–	19	–	–	–	–	(19)	–	–	–
At 31 December 2024	27,807	98,081*	59*	373,170*	23,502*	(80,152)*	(264,343)*	2,943*	2,115,818*	2,296,885	(4,194)	2,292,691

* *These reserve accounts comprise the consolidated reserves of RMB2,269,078,000 (2023: RMB2,354,839,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**44,147**	67,922
Adjustments for:			
Interest on bank borrowings and lease liabilities	7	**7,295**	9,111
Share of loss of an associate		**3,128**	2,318
Bank interest income	5	**(27,394)**	(39,693)
Finance income on net investments in sublease	5	**(31)**	–
Loss on sublease		**86**	–
Fair value gain on derivative financial instruments – transactions not qualifying as hedges	5, 6	**–**	(3,467)
Gain on early termination of a lease contract	15	**–**	(21)
Gain on disposal of intangible assets	5, 6	**–**	(39,726)
Gain on disposal of items of property, plant and equipment, net	5, 6	**(2,663)**	(5,201)
Gain on disposal of right-of-use assets	5, 6	**(938)**	–
Depreciation of property, plant and equipment	6	**77,459**	93,575
Deficit on revaluation of property, plant and equipment	6	**2,239**	–
Changes in fair value of investment properties	5, 6	**(394)**	1,639
Depreciation of right-of-use assets	6	**6,969**	7,396
Impairment of an investment in an associate	16	**–**	12,054
Impairment of property, plant and equipment	6	**4,775**	2,558
Impairment of trade and bills receivables	6	**5,362**	8,677
Impairment of financial assets included in prepayments, other receivables and other assets	6	**4,248**	1,203
Government grants	5	**(16,695)**	(10,574)
Write-off of inventories	6	**5,128**	5,731
Provision/(reversal of provision) against obsolete and slow-moving inventories	6	**15,826**	(3,696)
		128,547	109,806
Increase in inventories		**(330,448)**	(10,237)
Decrease in trade and bills receivables		**18,654**	14,967
Decrease in prepayments, deposits, other receivables and other assets		**1,957**	4,432
Increase in trade and bills payables		**9,466**	16,655
Increase in other payables and accruals		**7,850**	8,131
Receipt of government grants		**13,593**	9,137
Cash (used in)/generated from operations		**(150,381)**	152,891
Interest received		**36,619**	42,064
Proceeds from sublease	15(f)	**291**	–
Hong Kong profits tax (paid)/refund		**(1,977)**	292
PRC corporate income tax paid		**(27,806)**	(18,800)
Net cash flows (used in)/from operating activities		**(143,254)**	176,447

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(90,766)	(82,462)
Addition to investment properties		(661)	–
Proceeds from disposal of items of property, plant and equipment		15,355	19,922
Proceeds from disposal of right-of-use assets		1,572	505
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		198,579	111,001
Placement of pledged time deposits		(22,389)	(60,222)
Withdrawal of pledged time deposits		60,000	308,423
Advanced receipt proceeds from disposal of items of property, plant and equipment		–	941
Net cash flows from investing activities		161,690	298,108
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	29	390,285	272,842
Repayment of bank loans	29	(422,842)	(535,967)
Interest paid		(7,295)	(9,111)
Principal portion of lease payments		(4,540)	(4,250)
Dividends paid		(117,450)	(178,706)
Net cash flows used in financing activities		(161,842)	(455,192)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(143,406)	19,363
Cash and cash equivalents at beginning of year		463,507	443,950
Effect of foreign exchange rate changes, net		1,783	194
CASH AND CASH EQUIVALENTS AT END OF YEAR		321,884	463,507
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	235,472	411,007
Non-pledged time deposits with original maturity of less than three months when acquired		86,412	52,500
Cash and cash equivalents as stated in the consolidated statement of cash flows		321,884	463,507
Non-pledged time deposits with original maturity of over three months when acquired		295,920	494,499
		617,804	958,006
Less: Non-pledged time deposits classified as non-current		(114,000)	(134,000)
Cash and cash equivalents as stated in the consolidated statement of financial position	20	503,804	824,006

1. Corporate and Group Information

Shenguan Holdings (Group) Limited (the "Company") was incorporated in the Cayman Islands on 24 February 2009 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111. The Company's principal place of business in Hong Kong is located at Unit 2902, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 13 October 2009.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of edible collagen sausage casing products, collagen food products, collagen skin care products and polymer collagen medical biomaterials.

In the opinion of the directors, the immediate holding company of the Company is Rich Top Future Limited, which was incorporated in the British Virgin Islands ("BVI"), and the ultimate holding company of the Company is Shenguan Biology Science & Technology Investment Company Limited, a Hong Kong incorporated company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Forever Gather (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Sale of collagen sausage casings
廣西神冠膠原生物集團有限公司 ("Guangxi Shenguan Collagen Biological Group Company Ltd.") ("Guangxi Shenguan")*/^	The People's Republic of China (the "PRC")/ Mainland China	RMB620,000,000	–	100%	Manufacture and sale of collagen sausage casings
Singapore Shenguan Pte. Ltd.	Singapore	SGD18,189,168	–	100%	Manufacture of pharmaceutical intermediates and fine chemicals for human use

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
廣西膠傲尚品食品有限公司 ("Guangxi Jiaoao Shangpin Food Co., Ltd.") **/^	PRC/Mainland China	RMB2,000,000	–	100%	Manufacture and sale of collagen food products
廣西露仙娜生物科技發展有限公司 ("Guangxi Luxianna Biotechnology Co., Ltd.") **/^	PRC/Mainland China	RMB5,000,000	–	100%	Manufacture and sale of collagen skin care products
廣東勝馳生物科技有限公司 ("Guangdong Victory Biological Technology Company Limited")**/^	PRC/Mainland China	RMB23,088,499	–	80%	Manufacture and sale of polymer collagen medical biomaterials
梧州勝馳生物科技有限公司 ("Wuzhou Victory Biological Technology Company Limited")**/^	PRC/Mainland China	RMB500,000	–	80%	Manufacture and sale of polymer collagen medical biomaterials

* *The entity is registered as a Sino-foreign joint ventures under PRC law.*

** *The entity is registered as a domestic limited liability company under PRC law.*

^ *The English names of these entities represent the best effort made by the management of the Company to directly translate the Chinese names of these entities as no official English names have been registered.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. Accounting Policies

2.1 Basis of Preparation

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. Accounting Policies (Continued)

2.2 Changes in accounting policies and disclosures

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

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

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

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

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

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

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

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS Accounting Standards

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

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

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

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

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

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS Accounting Standards (Continued)

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

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

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS Accounting Standards (Continued)

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

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

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

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies

Investment in an associate

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Fair value measurement (Continued)

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Related parties

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

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

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

or

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

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

	Annual depreciation rate	Residual value
Freehold Land	Not depreciated	N/A
Buildings	1% to 11%	3% to 10%
Leasehold improvement	Over the shorter of the lease terms and 20% to 33%	0%
Plant and machinery	6.4% to 19%	3% to 10%
Motor vehicles	7.5% to 33%	3% to 10%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16 *Property, Plant and Equipment*.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Office and production premises	1 to 5 years
Retail shops	1 to 3 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and commercial properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and air-conditioning duct that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessor

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

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

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

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-us asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

For trade and bills receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Income tax

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

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

(b) Service income

Service income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The Company's subsidiaries registered in the Singapore are required to make contribution to the Central Provident Fund scheme (the "CPF Scheme"), a defined contribution pension scheme. Under the CPF Scheme, the employer and its employees are each required to make contributions to the CPF Scheme at generally 17% and 20% of the employees' relevant income, subject to a cap of monthly relevant income of generally SGD6,000. There are different CPF rates applied to the senior workers aged 55 and above.

The costs of employee retirement benefits are recognised as cost of sales, selling and distribution expenses and administrative expenses in profit or loss in the period in which they are incurred. During the year ended 31 December 2024, there was no forfeited contribution under the MPF Scheme, the state sponsored retirement plan of the PRC and the CPF Scheme which may be used by the Group to reduce the existing level of contributions, nor any contribution under the MPF Scheme, the state sponsored retirement plan of the PRC and the CPF Scheme was forfeited by the Group.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Borrowing costs

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

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

Foreign currencies

The functional currency of the Company is the Hong Kong dollar while the presentation currency of the Company for the financial statements is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

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

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

The functional currencies of certain group companies are currencies other than the presentation currency of the Company. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of certain group companies with a functional currency other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these group companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

3. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which the estimate has been changed.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forward-looking information. The Group's historical credit loss experience and forward-looking estimates may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 18 to the financial statements.

Provision for expected credit losses on financial assets included in prepayments, other receivables and other assets and bills receivables

The ECLs for financial assets included in prepayments, other receivables and other assets and bills receivables are based on assumptions about the probability of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the ECL calculations, based on the Group's historical loss record, current conditions as well as forward-looking information.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Impairment of non-current non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-current non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Operating Segment Information

The Group is engaged in the principal business of the manufacture and sale of edible collagen sausage casing products. The Group is also involved in the manufacture and sale of collagen food products, collagen skin care products and polymer collagen medical biomaterials.

Since over 90% of the Group's revenue is generated from its edible collagen sausage casing products, no operating segments have been aggregated to form the reportable operating segment.

Geographical information

(a) Revenue from external customers

	2024 *RMB'000*	2023 *RMB'000*
Mainland China	**883,365**	961,553
Asia (excluding Mainland China)	**85,919**	99,064
Other countries/regions	**47,528**	49,795
Total revenue	**1,016,812**	1,110,412

(b) Non-current assets

The non-current asset geographical information is not presented since over 90% of the Group's non-current assets are located in Mainland China.

Information about major customers

Revenue from major customers of the Group, excluding value added tax, which individually accounted for 10% or more of the Group's revenue is set out below:

	2023 *RMB'000*
Customer 1	206,220
Customer 2	122,897

There is no individual customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2024.

5. Revenue, Other Income and Gains, Net

Set out below is the disaggregation of the Group's revenue:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Timing of revenue recognition		
Goods transferred at a point in time	**1,016,713**	1,110,315
Services transferred over time	**99**	97
Total	**1,016,812**	1,110,412

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**47,195**	25,990

Performance obligations

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

Sale of goods

The performance obligation is satisfied when the control of the goods is transferred, generally on acceptance of goods by customers and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

Service income

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of service, except for new customers, where payment in advance is normally required.

No transaction prices were allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2024 (2023: Nil).

5. Revenue, Other Income and Gains, Net (Continued)

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	27,394	39,693
Government grants*	16,695	10,574
Rental income	3,910	2,174
Finance income on net investments in sublease	31	–
Sale of auxiliary materials	5,675	2,325
Others	–	930
Total other income	53,705	55,696
Gains		
Gain on early termination of a lease contract	–	21
Fair value gain on derivative financial instruments – transactions not qualifying as hedges	–	3,467
Fair value gain on investment properties	394	–
Gain on disposal of intangible assets	–	39,726
Gain on disposal of items of property, plant and equipment, net	2,663	5,201
Gain on disposal of right-of-use assets	938	–
Total gains	3,995	48,415
Total other income and gains, net	57,700	104,111

* *During the years ended 31 December 2024 and 2023, various government grants have been received in respect of additional deduction of input VAT for high-tech enterprise, encouraging business achievement, green manufacturing award and stabilisation of employment related to poverty.*

The government grants received relating to assets were recognised as deferred income when conditions of these government grants were fulfilled, and released to other income over the expected useful lives of the relevant assets. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2024 (2023: Nil).

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**189,317**	178,607
Retirement benefit contributions		**46,770**	40,882
Total		**236,087**	219,489
Auditor's remuneration		**2,912**	2,817
Cost of inventories sold**		**735,181**	841,693
Depreciation of property, plant and equipment	*13*	**77,459**	93,575
Depreciation of right-of-use assets	*15(a)*	**6,969**	7,396
Deficit on revaluation of property, plant and equipment*		**2,239**	–
Changes in fair value of investment properties^	*14*	**(394)**	1,639
Fair value gain on derivative financial instruments – transactions not qualifying as hedges^		**–**	(3,467)
Lease payments not included in the measurement of lease liabilities	*15(c)*	**354**	377
Gain on disposal of items of property, plant and equipment, net^		**(2,663)**	(5,201)
Gain on disposal of right-of-use assets^		**(938)**	–
Gain on disposal of intangible assets		**–**	(39,726)
Impairment of financial assets included in prepayments, other receivables and other assets		**4,248**	1,203
Impairment of property, plant and equipment*	*13*	**4,775**	2,558
Impairment of trade and bills receivables, net	*18*	**5,362**	8,677
Impairment of an investment in an associate*	*16*	**–**	12,054
Write-off of inventories**		**5,128**	5,731
Provision/(reversal of provision) against obsolete and slow-moving inventories***		**15,826**	(3,696)
Foreign exchange differences, net^		**1,200**	4,584
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**76**	272

* *The above items are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.*

** *The above items are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

*** *This item is included in either "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income when provision/reversal of provision for raw materials is recognised or included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income when provision/reversal of provision for work in progress and finished goods is recognised.*

^ *This item is included either "Other income and gains, net" in the consolidated statement of profit or loss and other comprehensive income when net gain is recognised and included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income when net loss is recognised.*

7. Finance Costs

	2024 RMB'000	2023 RMB'000
Interest on bank loans	7,034	8,853
Interest on lease liabilities *(note 15)*	261	258
Total	7,295	9,111

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	1,119	1,077
Other emoluments:		
Salaries, allowances and benefits in kind	8,181	8,313
Discretionary performance related bonuses*	657	1,087
Retirement benefit contributions	151	116
Subtotal	8,989	9,516
Total	10,108	10,593

* *Executive directors of the Company are entitled to bonus payments which are determined as a percentage of the adjusted consolidated profit before tax of the Group.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Zhou Xiaoxiong*	227	131
Mr. Tsui Yung Kwok	227	225
Mr. Meng Qinguo	227	225
Mr. Yang Xiaohu**	–	94
Total	681	675

* *Appointed as an independent non-executive director on 31 May 2023.*

** *Retired as an independent non-executive director on 31 May 2023.*

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. Directors' Remuneration (Continued)

(b) Executive Directors and a Non-Executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Ms. Zhou Yaxian*	73	3,760	294	29	4,156
Mr. Ru Xiquan	73	1,400	117	–	1,590
Mr. Mo Yunxi	73	1,423	117	39	1,652
Mr. Sha Junqi***	73	1,295	106	44	1,518
Mr. Li Chenglin***	73	303	23	39	438
Subtotal	365	8,181	657	151	9,354
Non-executive director:					
Dato' Sri Low Jee Keong	73	–	–	–	73
Total	438	8,181	657	151	9,427

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Ms. Zhou Yaxian*	72	3,752	486	27	4,337
Mr. Shi Guicheng**	30	586	81	6	703
Mr. Ru Xiquan	72	1,402	195	4	1,673
Mr. Mo Yunxi	72	1,407	195	18	1,692
Mr. Sha Junqi***	42	879	91	42	1,054
Mr. Li Chenglin***	42	287	39	19	387
Subtotal	330	8,313	1,087	116	9,846
Non-executive director:					
Dato' Sri Low Jee Keong	72	–	–	–	72
Total	402	8,313	1,087	116	9,918

* *Ms. Zhou Yaxian is also the chief executive officer of the Company.*

** *Retired as a director on 31 May 2023.*

*** *Appointed as directors on 31 May 2023.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included four directors (2023: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2023: two) highest paid employees who are not directors of the Company are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Salaries, allowances and benefits in kind	1,400	2,776
Discretionary performance related bonuses	117	340
Retirement benefit contributions	16	16
Total	1,533	3,132

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2024	2023
HK$1,500,001 to HK$2,000,000	1	2

10. Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

A subsidiary located in Wuzhou, Guangxi in the Western Region of China is entitled to the region's preferential corporate income tax ("CIT") rate of 15% as set out in the Announcement of the State Taxation Administration and the National Development and Reform Commission on the continuation of preferential enterprise income tax policies in the western region (Announcement No.23 [2020]).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

10. Income Tax Expense (Continued)

	2024 RMB'000	2023 RMB'000
Current – PRC	**14,093**	24,476
Current – Hong Kong	**1,329**	1,790
Deferred tax *(note 24)*	**(175)**	12,113
Total tax charge for the year	**15,247**	38,379

Pillar Two income taxes

As of the reporting date, no Pillar Two legislation has been enacted or substantively enacted in jurisdictions where the Group operates. The Group is still in the process of assessing the potential exposure to Pillar Two income taxes. Based on the assessment carried out, the enactment or substantial enactment of Pillar Two legislation in additional jurisdictions in which the Group operates does not expect a material impact to the Group's overall exposure to Pillar Two income taxes yet.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

	2024 RMB'000	2024 %	2023 RMB'000	2023 %
Profit before tax	**44,147**		67,922	
Tax at the statutory tax rates of different countries/ jurisdictions	**10,861**	**24.6**	17,356	25.6
Lower tax rate for specific province or enacted by local authority	**(5,357)**		(7,351)	
Adjustment in respect of current tax of previous periods	**(11,284)**		572	
Loss attributable to an associate	**469**		348	
Expenses not deductible for tax	**1,053**		4,009	
Income not subject to tax	**(120)**		(75)	
Super-deduction of eligible research and development expenditure	**(1,836)**		(6,055)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**15,027**		16,587	
Tax losses utilised from previous periods	**(2,610)**		(208)	
Tax losses not recognised	**9,478**		9,655	
Utilisation of deductible temporary difference previously not recognised	**(360)**		–	
Deductible temporary differences not recognised	**–**		3,611	
Effect on tax concession	**(74)**		(70)	
Tax charge at the Group's effective rate	**15,247**	**34.5**	38,379	56.5

11. Dividends

	2024 RMB'000	2023 RMB'000
Final dividend proposed subsequent to the reporting period – HK2.0 cents (2023: HK2.0 cents) per ordinary share	**59,665**	58,605
Final special dividend proposed subsequent to the reporting period – HK2.0 cents (2023: HK2.0 cents) per ordinary share	**59,665**	58,605
	119,330	117,210

The final dividend and special dividend for the year ended 31 December 2024 proposed subsequent to the reporting period have not been recognised as liabilities at the end of the reporting period and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB26,664,000 (2023: RMB31,242,000) and the weighted average number of 3,230,480,000 (2023: 3,230,480,000) ordinary shares outstanding during the year.

The Group had no potentially dilutive ordinary shares in issued during the years ended 31 December 2024 and 2023.

13. Property, Plant and Equipment

	Freehold land RMB'000	Buildings and leasehold improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 31 December 2023 and 1 January 2024:						
Cost	73,195	817,325	1,036,756	13,038	121,832	2,062,146
Accumulated depreciation and impairment	–	(269,682)	(780,431)	(8,517)	–	(1,058,630)
Net carrying amount	73,195	547,643	256,325	4,521	121,832	1,003,516
At 1 January 2024, net of accumulated depreciation and impairment	73,195	547,643	256,325	4,521	121,832	1,003,516
Additions	–	4,588	13,511	2,299	59,018	79,416
Disposals	–	(8,481)	(1,844)	(51)	–	(10,376)
Depreciation provided during the year	–	(28,772)	(48,084)	(603)	–	(77,459)
Impairment	–	–	(4,775)	–	–	(4,775)
Transfers	–	49,613	65,486	–	(115,099)	–
Deficit on revaluation	–	(2,239)	–	–	–	(2,239)
Transfer to investment properties *(note 14)*	–	(13,648)	–	–	–	(13,648)
Exchange realignment	2,209	766	6	–	–	2,981
At 31 December 2024, net of accumulated depreciation and impairment	75,404	549,470	280,625	6,166	65,751	977,416
At 31 December 2024:						
Cost	75,404	842,684	1,111,502	14,821	65,751	2,110,162
Accumulated depreciation and impairment	–	(293,214)	(830,877)	(8,655)	–	(1,132,746)
Net carrying amount	75,404	549,470	280,625	6,166	65,751	977,416

13. Property, Plant and Equipment (Continued)

	Freehold land RMB'000	Buildings and leasehold improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 31 December 2022 and 1 January 2023:						
Cost	69,656	814,238	1,022,087	11,340	52,827	1,970,148
Accumulated depreciation and impairment	–	(236,426)	(720,908)	(6,801)	–	(964,135)
Net carrying amount	69,656	577,812	301,179	4,539	52,827	1,006,013
At 1 January 2023, net of accumulated depreciation and impairment	69,656	577,812	301,179	4,539	52,827	1,006,013
Additions	–	11,285	14,268	628	81,108	107,289
Disposals	–	(17,753)	(1,027)	(5)	–	(18,785)
Depreciation provided during the year	–	(30,236)	(62,698)	(641)	–	(93,575)
Impairment	–	–	(2,558)	–	–	(2,558)
Transfers	–	5,214	6,889	–	(12,103)	–
Exchange realignment	3,539	1,321	272	–	–	5,132
At 31 December 2023, net of accumulated depreciation and impairment	73,195	547,643	256,325	4,521	121,832	1,003,516
At 31 December 2023:						
Cost	73,195	817,325	1,036,756	13,038	121,832	2,062,146
Accumulated depreciation and impairment	–	(269,682)	(780,431)	(8,517)	–	(1,058,630)
Net carrying amount	73,195	547,643	256,325	4,521	121,832	1,003,516

Notes:

(a) The Group entered into agreement with independent third party to lease a warehouse during the year. Accordingly, the property was transferred to investment property during the year, details of which are disclosed in note 14 to the financial statements.

(b) As at 31 December 2024, the Company's directors considered that certain property, plant and equipment amounting to RMB4,775,000 were subject to impairment as these assets retired due to poor efficiency. The amount has been fully impaired during the year ended 31 December 2024.

(c) As at 31 December 2023, the Company's directors considered that certain property, plant and equipment amounting to RMB2,558,000 were subject to impairment as these assets retired due to the cease of pharmaceutical operations after the assignment of the pharmaceutical products marketing authorisation. The amount has been fully impaired during the year ended 31 December 2023.

14. Investment Properties

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**14,231**	15,870
Addition	**661**	–
Net gain/(loss) from a fair value adjustment	**394**	(1,639)
Transfer from right-of-use asset and owner-occupied property	**15,542**	–
Carrying amount at 31 December	**30,828**	14,231

The Group's investment properties consist of three commercial properties and four warehouses (2023: three commercial properties and two warehouses) in Wuzhou, Guangxi Province, the PRC.

The Group's investment properties were revalued on 31 December 2024 based on valuations performed by management. During the year, a fair value gain of RMB394,000 (2023: loss of RMB1,639,000) was recognised in profit or loss.

As disclosed in notes 13(a) and 15 to the financial statements, the Group leased a warehouse to an independent third party. Since the usage of the warehouse has changed to rental earning, the warehouse and the land on which the warehouse was built (collectively "the Property"), were transferred from property, plant and equipment and right-of-use assets to investment property at the time when the Group entered into the lease contract with the lessee. The value of the Property was determined based on valuation performed by management. The difference between the fair value and the carrying amount of the Property at the date of transfer amounting RMB2,239,000 was charged to "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

The investment properties are leased to third parties under operating leases, further details of which are included in note 15 to the financial statements.

14. Investment Properties (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties and land and warehouses				
As at 31 December 2024	–	–	**30,828**	**30,828**
As at 31 December 2023	–	–	14,231	14,231

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Land and warehouses RMB'000	Total RMB'000
Carrying amount at 1 January 2023	4,115	11,755	15,870
Net loss from a fair value adjustment recognised in administrative expenses in profit or loss	(1,084)	(555)	(1,639)
Carrying amount at 31 December 2023 and 1 January 2024	**3,031**	**11,200**	**14,231**
Addition	–	**661**	**661**
Net gain from a fair value adjustment recognised in other income and gains, net in profit or loss	**384**	**10**	**394**
Transfer from right-of-use asset and owner-occupied property	–	**15,542**	**15,542**
Carrying amount at 31 December 2024	**3,415**	**27,413**	**30,828**

14. Investment Properties (Continued)

Fair value hierarchy (Continued)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Value/rate
2024			
Commercial properties	Discounted cash flow method	Estimated rental value (per sq.m. per month)	**RMB109**
		Estimated remaining leasable period	**23 years**
		Discount rate	**7.5%**
Land and warehouses	Discounted cash flow method	Estimated rental value (per sq.m. per month)	**RMB12 to RMB14**
		Estimated remaining leasable period	**33 years**
		Discount rate	**6.5%**
	Term and reversion method	Estimated rental value (per sq.m per month)	**RMB12**
		Market yield	**8.4%**
2023			
Commercial properties	Discounted cash flow method	Estimated rental value (per sq.m. per month)	RMB112
		Estimated remaining leasable period	24 years
		Discount rate	7.5%
Land and warehouses	Discounted cash flow method	Estimated rental value (per sq.m. per month)	RMB 13 to RMB 15
		Estimated remaining leasable period	34 years
		Discount rate	6.5%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated at gross income less vacancy, non-recoverable expenses, maintenance costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

14. Investment Properties (Continued)

Fair value hierarchy (Continued)

Under term and reversion method, fair value is estimated by capitalising the rent receivables from the existing tenancies and the potential reversionary market rent of the properties.

A significant increase (decrease) in the estimated rental value and remaining leasable period in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market yield in isolation would result in a significantly lower (higher) fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate.

15. Leases

The Group as a lessee

The Group has lease contracts for various items of retail shops, office and production premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office and production premises generally have lease terms between 1 year and 5 years. Leases of retail shops generally have lease terms between 1 year and 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) Right-of-use assets

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

	Retail shops *RMB'000*	Leasehold land *RMB'000*	Office and production premises *RMB'000*	Total *RMB'000*
At 1 January 2023	–	106,700	5,206	111,906
Addition	1,827	–	1,564	3,391
Disposal	–	(505)	(89)	(594)
Depreciation charge	(398)	(3,134)	(3,864)	(7,396)
Exchange realignment	–	–	9	9
At 31 December 2023 and 1 January 2024	**1,429**	**103,061**	**2,826**	**107,316**
Addition	**598**	**–**	**7,094**	**7,692**
Disposal	**–**	**(634)**	**–**	**(634)**
Transfer to investment properties	**–**	**(1,894)**	**–**	**(1,894)**
Transfer to net investment in sublease	**–**	**–**	**(992)**	**(992)**
Depreciation charge	**(765)**	**(2,820)**	**(3,384)**	**(6,969)**
Exchange realignment	**–**	**–**	**13**	**13**
As at 31 December 2024	**1,262**	**97,713**	**5,557**	**104,532**

15. Leases (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**4,525**	5,483
New leases	**7,692**	3,391
Accretion of interest recognised during the year	**261**	258
Early termination of a lease contract	**–**	(110)
Payments	**(4,801)**	(4,508)
Exchange realignment	**13**	11
Carrying amount at 31 December	**7,690**	4,525
Analysed into:		
Current portion	**3,605**	3,271
Non-current portion	**4,085**	1,254

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**261**	258
Depreciation charge of right-of-use assets	**6,969**	7,396
Gain on early termination of a lease contract	**–**	(21)
Expense relating to short-term leases (included in administrative and selling and distribution expenses)	**354**	377
Total amount recognised in profit or loss	**7,584**	8,010

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. Leases (Continued)

The Group as a lessor

(e) Operating leases

The Group leases its investment properties (note 14) consisting of three commercial properties and four warehouses in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Together with leases of its property, plant and equipment, rental income recognised by the Group during the year was RMB3,910,000 (2023: RMB2,174,000), details of which are included in note 5 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	3,860	2,767
After one year but within two years	2,436	2,786
After two years but within three years	1,517	1,356
After three years but within four years	1,376	297
After four years but within five years	1,231	150
After five years	5,746	–
Total	16,166	7,356

(f) Finance lease

The Group sub-leased part of a office and production premise to an independent third party (2023: Nil) under finance lease arrangement, with lease negotiated for terms of 3 years (2023: Nil). The terms of the lease require the tenants to pay security deposits.

The carrying amount of the net investments in sublease and the movements during the year are as follows:

	2024 RMB'000
Carrying amount at 1 January	–
New leases	906
Accretion of finance income recognised during the year	31
Proceeds from sublease	(291)
Carrying amount at 31 December	646
Analysed into:	
Current portion	274
Non-current portion	372

15. Leases (Continued)

The Group as a lessor (Continued)

(f) Finance lease (Continued)

At 31 December 2024, the undiscounted lease payment receivable by the Group in future periods under finance lease with its tenant is as follows:

	2024 *RMB'000*
Within one year	291
After one year but within two years	305
After two years but within three years	153
Total	749

16. Investment in an Associate

	2024 *RMB'000*	2023 *RMB'000*
Share of net assets	18,953	22,081
Goodwill on acquisition	28,029	28,029
Subtotal	46,982	50,110
Provision for impairment	(46,982)	(46,982)
Total	–	3,128

The movements for the provision for impairment on investment in an associate are as follows:

	2024 *RMB'000*	2023 *RMB'000*
At 1 January	46,982	34,928
Impairment losses *(note 6)*	–	12,054
At 31 December	46,982	46,982

16. Investment in an Associate (Continued)

(a) Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group 2024	2023	Principal activities
Ferguson (Wuhan) Biotech Company Limited ("Ferguson")	Ordinary shares	PRC/ Mainland China	25%	25%	Manufacture and sale of health care products

The Group's shareholding in Ferguson is held through a wholly-owned subsidiary of the Company.

(b) Ferguson is considered a material associate of the Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Ferguson adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2024 *RMB'000*	2023 *RMB'000*
Current assets	87,191	95,640
Non-current assets, excluding goodwill	88,045	100,929
Current liabilities	(101,554)	(107,550)
Non-current liabilities	(678)	(697)
Net assets	73,004	88,322
Net assets, excluding goodwill	73,004	88,322
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	25%	25%
Group's share of net assets of the associate, excluding goodwill	18,953	22,081
Goodwill on acquisition (less cumulative impairment)	(18,953)	(18,953)
Carrying amount of the investment	–	3,128
Revenue	77,843	86,187
Loss for the year	(15,318)	(9,274)
Total comprehensive loss for the year	(15,318)	(9,274)

16. Investment in an Associate (Continued)

(c) Impairment testing of investment in an associate

As at 31 December 2024, there were no external sources of information and evidence available from internal reporting indicating that the economic performance of the associate was better than expects and the associate continued to underperform during the year. During the year ended 31 December 2024, after share of loss the investment in the associate, the carrying amount of the investment was nil. Accordingly, no further impairment was required during the year ended 31 December 2024.

For the year of 2023, as the associate has been loss making, an impairment test was performed by the management. Based on the results of the impairment test, as the carrying amount of the investment in the associate exceeded its recoverable amount, an impairment loss of RMB12.1 million was recognised in profit or loss during the year ended 31 December 2023.

The recoverable amount of the investment as at 31 December 2023 was determined based on its value in use estimated using the income approach. The fair value measurement is categorised as level 3. The recoverable amount was determined based on financial budgets covering a five-year period approved by senior management.

Assumptions were used in the estimation of the value in use of the associate for the year ended 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Sales growth rates and budgeted gross margins – Based on expected market development and management experience in the industry, a terminal growth rate of 2.2% beyond the fifth year and the budgeted gross margins ranged between 40.7% to 46.4% were adopted.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the associate. The pre-tax discount rate applied to cash flow projections is 14.3%.

17. Inventories

	2024 ***RMB'000***	2023 *RMB'000*
Raw materials	**182,557**	100,406
Work in progress	**71,385**	43,952
Finished goods	**560,034**	360,124
Total	**813,976**	504,482

18. Trade and Bills Receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	120,091	130,370
Due from related companies	1,170	1,323
	121,261	131,693
Bills receivable	79,658	89,896
	200,919	221,589
Impairment	(42,081)	(38,924)
Net carrying amount	158,838	182,665

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	72,326	59,444
1 month to 3 months	43,777	61,944
3 months to 6 months	33,653	46,709
6 months to 1 year	3,618	9,083
Over 1 year	5,464	5,485
Total	158,838	182,665

18. Trade and Bills Receivables (Continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**38,924**	30,247
Impairment losses, net *(note 6)*	**5,362**	8,677
Amount written off as uncollectible	**(2,205)**	–
At 31 December	**42,081**	38,924

The increase (2023: increase) in the loss allowance was due to the following:

(a) Increase in trade receivables that were past due; and

(b) Decrease in the loss allowance as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

		Past due				
	Current	Less than 1 month	1 to 3 months	3 to 9 months	Over 9 months	Total
Expected credit loss rate *(%)*	**2.9**	**2.7**	**11.9**	**33.7**	**87.4**	**34.7**
Gross carrying amount *(RMB'000)*	**65,923**	**4,972**	**1,427**	**5,459**	**43,480**	**121,261**
Expected credit losses *(RMB'000)*	**1,921**	**134**	**170**	**1,841**	**38,015**	**42,081**

As at 31 December 2023

		Past due				
	Current	Less than 1 month	1 to 3 months	3 to 9 months	Over 9 months	Total
Expected credit loss rate *(%)*	1.5	3.4	14.7	25.6	85.9	29.6
Gross carrying amount *(RMB'000)*	61,266	11,563	8,366	11,620	38,878	131,693
Expected credit losses *(RMB'000)*	936	388	1,230	2,977	33,393	38,924

The financial impact of the expected credit losses for bills receivable under HKFRS 9 is insignificant for the years ended 31 December 2024 and 2023.

18. Trade and Bills Receivables (Continued)

Due from related companies:

	Notes	At 31 December 2024 RMB'000	At 31 December 2023 and 1 January 2024 RMB'000	At 1 January 2023 RMB'000
Exceltech Food Trading SDN BHD. ("Exceltech Food Trading")	(a)	–	–	877
Guangxi Zhiguan Industrial Development Co., Limited ("Guangxi Zhiguan")	(b)	787	1,098	680
Herb&Fashion Pte. Ltd. ("Herb&Fashion")	(c)	122	–	–
Wuzhou Shangdu Supermarket Co., Limited ("Shangdu Supermarket")	(d)	261	225	–
Total		1,170	1,323	1,557

Notes:

(a) Exceltech Food Trading is controlled by Dato' Sri Low Jee Keong, a director of the Company. The maximum outstanding balances of the amount due from Exceltech Food Trading during the years ended 31 December 2024 and 2023 were RMB3,396,000 and RMB2,388,000, respectively. The amount due from Exceltech Food Trading is unsecured, non-interest-bearing and has a repayment term of 30 days, which is on terms similar to those offered to other major customers of the Group.

(b) Guangxi Zhiguan is controlled by Ms. Zhou Yaxian, Mr. Ru Xiquan and Mr. Mo Yunxi, directors of the Company. The maximum outstanding balances of the amount due from Guangxi Zhiguan during the years ended 31 December 2024 and 2023 were RMB1,533,000 and RMB1,351,000 respectively. The amount due from Guangxi Zhiguan is unsecured, non-interest-bearing and has a repayment term of 30 days, which is on terms similar to those offered to other customers of the Group.

(c) Herb&Fashion is controlled by Mr. Sha Junqi, a director of the Company. The maximum outstanding balance of the amount due from Herb&Fashion during the year ended 31 December 2024 was RMB358,000. The amount due from Herb&Fashion is unsecured, non-interest-bearing and has a repayment term of 30 days, which is on terms similar to those offered to other customers of the Group.

(d) Shangdu Supermarket is controlled by Ms. Zhou Yaxian, Mr. Ru Xiquan and Mr. Mo Yunxi, directors of the Company. The maximum outstanding balances of the amount due from Shangdu Supermarket during the years ended 31 December 2024 and 2023 were RMB871,000 and RMB1,253,000 respectively. The amount due from Shangdu Supermarket is unsecured, non-interest-bearing and has a repayment term of 30 days, which is on terms similar to those offered to other customers of the Group.

19. Prepayments, Other Receivables and Other Assets

	2024 RMB'000	2023 RMB'000
Prepayments	55,570	59,890
Deposits and other receivables	37,481	51,737
	93,051	111,627
Impairment allowance	(11,799)	(7,551)
Total	81,252	104,076
Less: Current portion	(34,098)	(53,155)
Non-current portion	47,154	50,921

Deposits and other receivables mainly represent rental deposits and interest receivables from time deposits. Where applicable, an impairment analysis is performed on deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2024, except for the balance of RMB12,483,000 (2023: RMB8,920,000) which was categorised within Stage 3 for the measurement of ECLs, the financial assets included in the above balances were not overdue and categorized in Stage 1 for the measurement of ECLs.

The probability of default applied was ranged from 6.36% to 100% (2023: 6.50% to 100%) and the loss given default was estimated to approximately ranged from 63.30% to 100% (2023: 63.30% to 100%). In the situation where no comparable companies with credit rating can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate.

The remaining financial assets categorized in Stage 1 included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance for deposits and other receivables under HKFRS 9 was assessed to be minimal.

As at 31 December 2024, the Group had other receivables amounting to RMB923,000, RMB379,000 and RMB247,000 (2023: RMB710,000, RMB379,000 and RMB247,000) due from Wuzhou Tongrun Copper Co., Ltd. ("Tongrun Copper"), which is controlled by Mr. Sha Shuming, the spouse of Ms. Zhou Yaxian, Ferguson, an associate of the Group and Guangxi Wuzhou Shennong Pharmaceutical Co., Ltd. ("Wuzhou Shennong"), which is controlled by Ms. Zhou Yaxian and Mr. Sha Junqi, directors of the Company, respectively. The balance due from Tongrun Copper, Ferguson and Wuzhou Shennong is unsecured, interest free and has no fixed terms of repayment.

20. Cash and Cash Equivalents and Pledged Deposits

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**235,472**	411,007
Time deposits	**410,810**	612,954
Subtotal	**646,282**	1,023,961
Less: Pledged time deposits for		
– bills payable *(note 21)*	**(28,478)**	(65,955)
Less: Non-current time deposits	**(114,000)**	(134,000)
Cash and cash equivalents	**503,804**	824,006

At the end of the reporting period, the cash and bank balances (including time deposits) of the Group denominated in RMB amounted to RMB540,591,000 (2023: RMB940,341,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

According to the relevant loan agreement signed by a subsidiary of the Group, the unutilised proceeds from bank borrowing are required to be deposited in the designated bank account of the subsidiary and can only be used for payment of certain expenses. As at 31 December 2024, the aggregate amount of such deposit amounted to RMB5,000,000 (2023: Nil).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. Trade and Bills Payables

	Notes	2024 RMB'000	2023 RMB'000
Trade payables:			
Due to third parties		**16,465**	30,312
Due to related parties:			
Guangxi Zhiguan	*(a)*	**42,860**	12,005
Wuzhou Zhongbo Packaging Co., Ltd. ("Wuzhou Zhongbo")	*(a), (b)*	**1,162**	1,017
Wuzhou Junye Trademark Printing Material Co., Ltd. ("Wuzhou Junye")	*(a), (b)*	**3,902**	3,644
		64,389	46,978
Bills payable:			
Due to third parties		**28,771**	54,680
Due to related party:			
Guangxi Zhiguan	*(a)*	**18,000**	–
		46,771	54,680
		111,160	101,658

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**38,257**	32,088
1 to 2 months	**12,168**	14,190
2 to 3 months	**9,753**	18,630
3 to 6 months	**41,396**	18,954
Over 6 months	**9,586**	17,796
Total	**111,160**	101,658

(a) The trade and bills payables to Guangxi Zhiguan, Wuzhou Zhongbo and Wuzhou Junye are settled on terms no longer than 180 days.

(b) Wuzhou Zhongbo and Wuzhou Junye are owned by Mr. Sha Shuming, the spouse of Ms. Zhou Yaxian, a director of the Company.

21. Trade and Bills Payables (Continued)

The trade payables are non-interest-bearing. The trade and bills payables are normally settled on terms ranging from 60 days to 180 days.

As at 31 December 2024, time deposits amounting to RMB22,150,000 and RMB6,328,000 (2023: RMB60,000,000 and RMB5,955,000) were pledged for bills payable amounting to RMB31,508,000 and certain standby letter of credit from a bank, respectively (2023: bills payable amounting to RMB10,545,000 and certain standby letter of credit from a bank).

22. Other Payables and Accruals

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Contract liabilities	*(a)*	**63,382**	47,195
Other payables	*(b)*	**45,979**	73,272
Accruals		**31,171**	28,617
Total		**140,532**	149,084

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2024 ***RMB'000***	31 December 2023 *RMB'000*	1 January 2023 *RMB'000*
Short-term advances received from customers for the sale of goods	**63,382**	47,195	25,990

The increase in contract liabilities as at 31 December 2024 and 2023 was mainly due to the increase in short-term advances from customers in relation to the sale of edible collagen sausage casings at the end of the year.

(b) Other payables are non-trade, unsecured and non-interest-bearing and are normally settled on terms of 60 days.

23. Interest-Bearing Bank Borrowings

		31 December 2024			31 December 2023		
	Notes	Contractual interest rate (%)	Maturity	*RMB'000*	Contractual interest rate (%)	Maturity	*RMB'000*
Current							
Bank loans – unsecured	*(a)*	–	–	–	LPR-2.00 to LPR+0.70	On demand	248,464
Bank loans – unsecured	*(a), (b)*	Fixed rate of 1.10 to 2.90	2025	240,285	Fixed rate of 1.25 to 1.58	2024	24,378
Total				240,285			272,842

	2024 *RMB'000*	2023 *RMB'000*
Analysed into:		
Within one year or on demand	240,285	272,842

Notes:

(a) As at 31 December 2024 and 2023, all of the Group's bank borrowings are denominated in RMB.

(b) Certain bank loans of RMB 205,000,000 with maturity dates of 24 March 2025 and 1 December 2025 are subject to covenants including debt-to-asset ratio, contingent liability ratio, operating cash flow not being negative for three consecutive years, the borrower's monthly operating income, monthly transaction amount, and account balance at the end of each month with the lender should not be lower than the proportion of the borrower's financing balance with the lender compared to the borrower's total financing with all banks, usage of the bank loans for specific purposes only, and not to pledge or provide guarantees without the borrower's written consent. The covenants are tested at each respective applicable test dates of within the year until maturity. The Group considers there is no indication that it will have difficulties in complying with these covenants.

24. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Lease liabilities *RMB'000*	Deferred government grants *RMB'000*	Depreciation in excess of related depreciation allowance *RMB'000*	Accrued expense *RMB'000*	Impairment loss allowance against trade and other receivables *RMB'000*	Impairment provision against inventories *RMB'000*	Unrealised profits arising from intra-group transactions *RMB'000*	Fair value change of investment properties *RMB'000*	Tax loss *RMB'000*	Total *RMB'000*
At 1 January 2023	–	3,344	2,901	2,979	4,403	1,684	834	166	9,532	25,843
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	825	(457)	(1,046)	(1,637)	795	(554)	317	118	(9,532)	(11,171)
Exchange realignment	–	–	1	–	–	–	–	–	–	1
At 31 December 2023 and at 1 January 2024	825	2,887	1,856	1,342	5,198	1,130	1,151	284	–	14,673
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	933	(551)	(1,676)	484	1,212	2,374	(450)	51	–	2,377
Exchange realignment	–	–	1	–	–	–	–	–	–	1
At 31 December 2024	1,758	2,336	181	1,826	6,410	3,504	701	335	–	17,051

24. Deferred Tax (Continued)

Deferred tax liabilities

	Right-of use assets *RMB'000*	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Withholding tax *RMB'000*	Fair value adjustments from derivative financial instrument *RMB'000*	Total *RMB'000*
At 1 January 2023	–	778	4,970	465	6,213
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	769	(65)	703	(465)	942
At 31 December 2023 and at 1 January 2024	**769**	**713**	**5,673**	**–**	**7,155**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**942**	**(70)**	**1,330**	**–**	**2,202**
At 31 December 2024	**1,711**	**643**	**7,003**	**–**	**9,357**

	2024 ***RMB'000***	2023 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(15,340)**	(13,903)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7,646**	6,385
	(7,694)	(7,518)

The Group has tax losses arising in Hong Kong of HK$71,078,000 (2023: HK$63,265,000), which are equivalent to RMB64,876,000 (2023: RMB56,950,000) and subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

No deferred tax asset has been recognised in respect of tax losses arising in the PRC of RMB123,310,000 (2023: RMB118,669,000) or deductible temporary differences of RMB34,778,000 (2023: RMB36,220,000) due to the unpredictability of future profit stream.

24. Deferred Tax (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,484,870,000 (2023: RMB1,613,501,000) at 31 December 2024. In the opinion of the directors, the Company is able to control the timing of the reversal of the temporary difference and, accordingly, the Group has taken into consideration, among others, the probability the temporary difference being reversed in the foreseeable future, and recognised for withholding taxes that would be payable in the foreseeable future on distribution of unremitted earnings by the Company's subsidiaries established in Mainland China in respect of earnings generated.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. Share Capital

	2024 HK$'000	2023 HK$'000
Authorised: 20,000,000,000 ordinary shares of HK$0.01 each	200,000	200,000
Issued and fully paid: 3,230,480,000 (2023: 3,230,480,000) ordinary shares of HK$0.01 each	32,305	32,305
Equivalent to RMB'000	27,807	27,807

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Equivalent total RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	3,230,480,000	32,305	10,233	27,807	98,081	125,888

26. Share Option Scheme

In order to attract and retain the eligible persons, to provide additional incentives to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 29 May 2020 (the "Adoption Date") and amended on 29 November 2024 whereby the board of directors (the "Board") is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") or to transfer the treasury Shares (the "Treasury Shares") to the eligible participants (as defined under Chapter 17 of the Listing Rules) of the Group. The Scheme shall be valid and effective for a period of ten years commencing on 29 May 2020, subject to the early termination provisions contained in the Scheme.

The maximum number of Shares issuable (including any Treasury Shares which may be utilised, as applicable) upon exercise of all options to be granted under the Scheme and any other share schemes of the Company as from the Adoption Date must not in aggregate exceed 10% of all the Shares (excluding Treasury Shares) on the Adoption Date. According to the terms of the Scheme, the Company may at any time refresh such limit, by shareholders' approval once every three years. Refreshments within a three year period must be approved by shareholders of the Company (other than the controlling shareholders of the Company (or if there is no controlling shareholder, the directors (excluding independent non-executive directors and chief executive of the Company) and their associates).

The total number of Shares available for issue (including any Treasury Shares which may be utilised, as applicable) under the Scheme as at: (a) 1st January 2024; (b) 31st December 2024; and (c) the date of this report was 323,048,000 Shares, which represented 10% of the total number of issued Shares (excluding Treasury Shares) as at the Adoption Date and the date of approval of these financial statements. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue (excluding Treasury Shares).

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

26. Share Option Scheme (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Shares as stated in The Stock Exchange's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading 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.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 31 December 2024 and at the date of approval of these financial statements, the Company had no share options that were outstanding, granted, exercised or cancelled, or lapsed under the Scheme.

27. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation in 2009 over the nominal value of the Company's shares issued in exchange therefor.

(ii) Reserve funds

In accordance with the Law of the PRC for Enterprise with Foreign Investments and the articles of association of subsidiaries of the Group established in the PRC, appropriations from net profits, after offsetting accumulated losses brought forward from prior years, should be made to the reserve funds before distributions are made to the owners. The percentage of net profits to be appropriated to the reserve funds should not be less than 10% of the net profits. When the balance of the reserve funds reaches 50% of the paid-up capital, no further appropriations are required to be made. Upon approval obtained from the board of directors, the reserve funds can be used to offset accumulated deficits or to increase the registered capital.

(iii) Other reserves

Other reserves represent: (1) the aggregate of the difference the between consideration paid for acquisition of an equity interest in subsidiaries and the carrying value of non-controlling interests, and the difference arising from deemed disposal of equity interests to non-controlling shareholders; and (2) a waiver of amounts due to related parties.

28. Partly-Owned Subsidiary with Material Non-Controlling Interests

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2024	2023
Percentage of equity interest held by non-controlling interests of Guangdong Victory	20%	20%

	2024 RMB'000	2023 RMB'000
Profit/(loss) for the year allocated to non-controlling interests of Guangdong Victory	2,387	(1,653)
Dividends paid to non-controlling interests of Guangdong Victory	–	–
Accumulated balances of non-controlling interests at the reporting date of Guangdong Victory	(1,518)	(3,905)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2024 RMB'000	2023 RMB'000
Revenue	28,302	5,154
Total expenses	(16,366)	(13,420)
Profit/(loss) for the year	11,936	(8,266)
Total comprehensive income/(loss) for the year	11,936	(8,266)
Current assets	16,091	2,647
Non-current assets	11,420	12,128
Current liabilities	(35,101)	(34,232)
Non-current liabilities	–	(69)
Net cash flows from/(used) in operating activities	10,273	(2,927)
Net cash flows used in investing activities	(1,766)	(766)
Net cash flows from financing activities	2,400	2,782
Net increase/(decrease) in cash and cash equivalents	10,907	(911)

29. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transaction

During the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,692,000 and RMB7,692,000, respectively, in respect of lease arrangements for retail shops, office and production premises.

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,391,000 and RMB3,391,000, respectively, in respect of lease arrangements for retail shops and office.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2023	535,242	5,483
New bank borrowings	272,842	–
Repayment of bank borrowings	(535,967)	–
New leases	–	3,391
Early termination of a lease contract	–	(110)
Lease payments	–	(4,508)
Interest expenses	–	258
Exchange realignment	725	11
As at 31 December 2023 and 1 January 2024	**272,842**	**4,525**
New bank borrowings	**390,285**	**–**
Repayment of bank borrowings	**(422,842)**	**–**
New leases	**–**	**7,692**
Lease payments	**–**	**(4,801)**
Interest expenses	**–**	**261**
Exchange realignment	**–**	**13**
As at 31 December 2024	**240,285**	**7,690**

29. Notes to the Consolidated Statement of Cash Flows (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	354	377
Within financing activities	4,801	4,508
Total	5,155	4,885

30. Contingent Liabilities

At the end of the reporting period, the Group did not have any significant contingent liabilities.

31. Pledge of Assets

Details of the Group's assets pledged for the Group's bills payable are included in note 21 to the financial statements.

32. Commitments

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Buildings	126,278	111,973
Plant and machinery	17,242	15,702
Total	143,520	127,675

33. Related Party Disclosures

(a) In addition to the transactions detailed in note 8 to the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2024 RMB'000	2023 RMB'000
Company controlled by a director of the Company:			
Continuing connected transactions:			
Sales of products	(i)	4,666	4,436
Sales of calcium oxide	(i)	3,164	2,074
Purchases of cattle hides	(ii)	370,668	239,226
Provision of the cattle skin processing services	(ii)	6,456	1,774
Rent of commercial properties	(ii)	269	203
Lease of office	(ii)	222	263
Administrative support and liaising services	(ii)	160	452
Connected transaction:			
Proceeds from sales of property, plant and equipment	(ii)	–	247
Companies controlled by a spouse of a director of the Company:			
Continuing connected transactions:			
Purchases of packaging and printing materials	(ii)	48,428	39,439
Connected transactions:			
Proceeds from sales of staff quarters	(ii)	962	1,588
Associate:			
Proceeds from sales of property, plant and equipment	(ii)	–	379

Notes:

(i) The sales were made according to the prices and conditions offered to major customers of the Group.

(ii) These transactions were based on terms mutually agreed between the parties.

33. Related Party Disclosures (Continued)

(b) Balances with related parties

Balances with related parties are detailed in notes 18, 19 and 21 to the financial statements.

(c) Compensation of key management personnel

	2024 *RMB'000*	2023 *RMB'000*
Fees	**1,119**	1,077
Salaries, allowances and benefits in kind	**13,219**	11,666
Discretionary performance-related bonuses	**1,087**	1,507
Retirement benefit contributions	**243**	146
Total compensation paid to key management personnel	**15,668**	14,396

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. Financial Instruments by Category

The financial assets and liabilities of the Group as at 31 December 2024 and 2023 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

35. Transfers of Financial Assets

Transferred financial assets that are not derecognised in their entirety

During the year ended 31 December 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks of certain issuing banks after the endorsement, and accordingly, the Group continued to recognise the full carrying amounts of the endorsed bills receivable from such issuing banks (the "Endorsed Bills") and the associated trade payables. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December 2024, the aggregate carrying amount of the Endorsed Bills was RMB15,263,000 (2023: RMB30,136,000).

35. Transfers of Financial Assets (Continued)

Transferred financial assets that are derecognised in their entirety

During the year ended 31 December 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers, which had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of these bills receivable have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). These bills receivable were honoured by reputable banks with the PRC rating at AAA by national credit rating agencies. In the opinion of the directors, these banks have good reputation and credit quality, and the risk of default of these bills receivable (the "Derecognised Bills") on maturity is remote, and therefore, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills after the transfer, and the Group's exposure to the variability in the amounts of the net cash flows of the transferred asset is not significant. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant. There were no Derecognised Bills as at 31 December 2024 (2023: Nil).

During the year ended 31 December 2024 and 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

36. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair value:

The fair values of the non-current portion of pledged deposits and time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise pledged deposits, cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swap and forward currency contract. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its source of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arose from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rates, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets except for cash and cash equivalents, time deposits and pledged deposits. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings at floating rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. At 31 December 2024, approximately 100% (2023: 9%) of the Group's interest-bearing bank borrowings bore interest at fixed rates.

At 31 December 2023, it was estimated that if interest rates at those dates had been 100 basis points higher/lower, with all other variables held constant, there would have been a decrease/increase of RMB2,744,000 in the Group's profit before tax for the year ended 31 December 2023.

37. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

Foreign currency risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arose from changes in exchange rates.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in RMB. Accordingly, the directors considered that the Group's foreign currency exchange risk is insignificant. Certain sales and purchases were settled in other currencies including US$. The fluctuation of the exchange rates of these currencies against RMB will affect the Group's results of operations.

Substantially all of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Government authorities is required where RMB is to be converted into foreign currencies and remitted out of China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the shareholders of the PRC subsidiaries, with the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the Group's subsidiaries' ability to obtain the required foreign currency amounts through debt or equity financing, including by means of loans or capital contributions from the Company.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions to reduce the Group's exposure to foreign currency risk resulting from trade receivables denominated in US$. While the Group may decide to enter into other hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

A reasonably possible increase/decrease of 5% in the exchange rate of US$ against RMB or HK$ against RMB would have decreased/increased the Group's profit before tax arising from US$ and HK$ denominated financial instruments by RMB1,110,000 (2023: RMB940,000).

37. Financial Risk Management Objectives and Policies (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	121,261	121,261
Bills receivable	79,658	–	–	–	79,658
Financial assets included in prepayments, other receivables and other assets					
– Normal**	24,998	–	12,483	–	37,481
Pledged deposits					
– Not yet past due	28,478	–	–	–	28,478
Cash and cash equivalents					
– Not yet past due	503,804	–	–	–	503,804
Time deposits					
– Not yet past due	114,000	–	–	–	114,000
Total	750,938	–	12,483	121,261	884,682

37. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	131,693	131,693
Bills receivable	89,896	–	–	–	89,896
Financial assets included in prepayments, other receivables and other assets					
– Normal**	42,817	–	8,920	–	51,737
Pledged deposits					
– Not yet past due	65,955	–	–	–	65,955
Cash and cash equivalents					
– Not yet past due	824,006	–	–	–	824,006
Time deposits					
– Not yet past due	134,000	–	–	–	134,000
Total	1,156,674	–	8,920	131,693	1,297,287

* *Trade receivables to which the Group applies the simplified approach for impairment based on the provision matrix is disclosed in note 18.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the Group's trade and bills receivables are widely dispersed in different customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 18 to the financial statements.

37. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

Liquidity risk means the risk that an enterprise may encounter difficulties to obtain adequate finance to repay the debt or other financial liabilities. Liquidity risk may arise from the inability to dispose of financial assets promptly, counterparties being unable to repay their contracted debt obligations, or the inability to generate the expected cash flows.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. In the opinion of the directors of the Company, the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

At 31 December 2024

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years *RMB'000*	Total *RMB'000*
Lease liabilities	3,790	2,861	1,390	8,041
Interest-bearing bank borrowings	241,950	–	–	241,950
Trade and bills payables	111,160	–	–	111,160
Financial liabilities included in other payables and accruals	45,979	–	–	45,979
Total	402,879	2,861	1,390	407,130

At 31 December 2023

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years *RMB'000*	Total *RMB'000*
Lease liabilities	3,389	942	289	4,620
Interest-bearing bank borrowings	274,340	–	–	274,340
Trade and bills payables	101,658	–	–	101,658
Financial liabilities included in other payables and accruals	73,272	–	–	73,272
Total	452,659	942	289	453,890

37. Financial Risk Management Objectives and Policies (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to maintain healthy capital ratios in order to support its business and maximise shareholders' value so that it can continue to provide returns to shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio and a debt-to-equity ratio. The gearing ratio is calculated as net cash divided by adjusted capital. Net cash is calculated as total interest-bearing bank borrowings and lease liabilities (as shown in the consolidated statement of financial position) less cash and cash equivalents, time deposits and pledged deposits. The Group aims to maintain the gearing ratio at a reasonable level. The debt-to-equity ratio is calculated by dividing the total interest-bearing bank borrowings and lease liabilities by the total equity. The gearing ratios and debt-to-equity ratios as at the end of the reporting periods were as follows:

	2024 *RMB'000*	2023 *RMB'000*
Interest-bearing bank borrowings *(note 23)*	**240,285**	272,842
Lease liabilities *(note 15(b))*	**7,690**	4,525
Less: Cash and cash equivalents	**(503,804)**	(824,006)
Time deposits	**(114,000)**	(134,000)
Pledged deposits	**(28,478)**	(65,955)
Net cash	**(398,307)**	(746,594)
Equity attributable to owners of the parent	**2,296,885**	2,382,646
Gearing ratio	**N/A**	N/A
Total equity	**2,292,691**	2,376,216
Debt-to-equity ratio	**10.8%**	11.7%

38. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**190,440**	186,364
CURRENT ASSETS		
Amounts due from subsidiaries	**350,900**	368,221
Prepayments, other receivables and other assets	**88**	89
Bank balances	**5,836**	404
Total current assets	**356,824**	368,714
CURRENT LIABILITIES		
Amounts due to subsidiaries	**41,556**	60,700
Other payables	**356**	458
Total current liabilities	**41,912**	61,158
NET CURRENT ASSETS	**314,912**	307,556
Net assets	**505,352**	493,920
EQUITY		
Issued capital	**27,807**	27,807
Reserves *(note)*	**477,545**	466,113
Total equity	**505,352**	493,920

38. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves in presentation currency is as follows:

	Share premium account *RMB'000*	Contributed surplus *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2023	98,081	172,535	(80,991)	157,886	347,511
Profit for the year	–	–	–	288,812	288,812
Exchange realignment	–	–	8,496	–	8,496
Total comprehensive income for the year	–	–	8,496	288,812	297,308
Final 2022 dividend and special dividend	–	–	–	(178,706)	(178,706)
At 31 December 2023 and at 1 January 2024	**98,081**	**172,535**	**(72,495)**	**267,992**	**466,113**
Profit for the year	**–**	**–**	**–**	**120,292**	**120,292**
Exchange realignment	**–**	**–**	**8,590**	**–**	**8,590**
Total comprehensive income for the year	**–**	**–**	**8,590**	**120,292**	**128,882**
Final 2023 dividend and special dividend	**–**	**–**	**–**	**(117,450)**	**(117,450)**
At 31 December 2024	**98,081**	**172,535**	**(63,905)**	**270,834**	**477,545**

38. Statement of Financial Position of the Company (Continued)

Note: (Continued)

A summary of the Company's reserves in functional currency is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2023	10,233	195,879	181,746	387,858
Profit for the year	–	–	318,700	318,700
Total comprehensive income for the year	–	–	318,700	318,700
Final 2022 dividend and special dividend	–	–	(193,829)	(193,829)
At 31 December 2023 and 1 January 2024	**10,233***	**195,879**	**306,617***	**512,729**
Profit for the year	**–**	**–**	**129,900**	**129,900**
Total comprehensive income for the year	**–**	**–**	**129,900**	**129,900**
Final 2023 dividend and special dividend	**–**	**–**	**(129,219)**	**(129,219)**
As at 31 December 2024	**10,233***	**195,879**	**307,298***	**513,410**

* *These reserve accounts comprise the Company's reserves available for distribution amounting to HK$317,531,000 (2023: HK$316,850,000).*

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2025.

FIVE-YEAR FINANCIAL SUMMARY

The consolidated results and the consolidated assets, liabilities and non-controlling interests of Shenguan Holdings (Group) Limited and its subsidiaries (together the "Group") for the last five financial years are extracted from the published audited financial statements and re-presented below.

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

	2024 *RMB'000*	2023 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*
Year ended 31 December					
RESULTS					
REVENUE	**1,016,812**	1,110,412	1,032,155	1,168,099	961,623
Cost of sales	**(845,729)**	(939,556)	(871,690)	(857,608)	(722,577)
Gross profit	**171,083**	170,856	160,465	310,491	239,046
Other income and gains, net	**57,700**	104,111	62,291	53,550	70,645
Selling and distribution expenses	**(33,518)**	(34,963)	(33,757)	(36,569)	(32,655)
Administrative expenses	**(131,085)**	(150,773)	(146,706)	(144,488)	(168,267)
Finance costs	**(7,295)**	(9,111)	(9,249)	(5,335)	(2,493)
Share of loss of an associate	**(3,128)**	(2,318)	(777)	(1,432)	(2,357)
Reversal of Impairment /(Impairment) of trade and bills receivables	**(5,362)**	(8,677)	9,763	(13,227)	4,519
Impairment of financial assets included in prepayments, other receivables and other assets	**(4,248)**	(1,203)	(6,348)	–	–
PROFIT BEFORE TAX	**44,147**	67,922	35,682	162,990	108,438
Income tax expense	**(15,247)**	(38,379)	(14,212)	(42,974)	(21,669)
PROFIT FOR THE YEAR	**28,900**	29,543	21,470	120,016	86,769
Profit attributable to:					
Owners of the parent	**26,664**	31,242	23,565	122,652	90,754
Non-controlling interests	**2,236**	(1,699)	(2,095)	(2,636)	(3,985)
	28,900	29,543	21,470	120,016	86,769
As at 31 December					
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,829,180**	2,957,296	3,354,411	3,312,070	3,130,200
TOTAL LIABILITIES	**(536,489)**	(581,080)	(834,969)	(656,482)	(441,482)
NON-CONTROLLING INTERESTS	**4,194**	6,430	4,731	2,636	–
	2,296,885	2,382,646	2,524,173	2,658,224	2,688,718