天健國際會計師事務所有限公司
Confucius International CPA Limited
Certified Public Accountants

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEWTREND GROUP HOLDING CO., LTD. AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Newtrend Group Holding Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-72, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2022, 2023 and 2024 (the "**Track Record Period**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 May 2025 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024, and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

CI CPA Ltd.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong
30 May 2025

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by us in accordance with Hong Kong Standards of Auditing issued by HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	761,499	446,938	568,867
Cost of sales		(566,640)	(367,039)	(466,967)
Gross profit		194,859	79,899	101,900
Other income, gains and losses	*7*	14,711	23,784	17,681
Selling and distribution expenses		(3,037)	(4,706)	(4,753)
Administrative expenses		(37,172)	(29,042)	(30,867)
Research and development costs		(13,962)	(17,216)	(16,601)
Listing expenses		–	–	(10,207)
Impairment losses under expected credit loss model, net of reversal	*8*	(1,126)	(867)	(5,633)
Finance costs	*9*	(4,957)	(3,470)	(2,786)
Profit before taxation	*10*	149,316	48,382	48,734
Income tax expense	*11*	(27,295)	(3,720)	(5,328)
Profit for the year		122,021	44,662	43,406
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		(474)	1,711	783
Total comprehensive income for the year		121,547	46,373	44,189
Earnings per share (expressed in RMB per share)	*15*			
Basic and diluted		1.42	0.52	0.51

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	302,631	344,262	386,389
Right-of-use assets	*17*	13,969	13,400	12,465
Prepayments	*20*	4,280	505	1,862
Deferred tax assets	*29*	14,868	14,763	17,891
		335,748	372,930	418,607
Current assets				
Inventories	*18*	90,123	98,087	91,903
Trade and bills receivables	*19*	102,536	118,514	224,613
Prepayments, deposits and other receivables	*20*	18,938	15,687	26,316
Bank balances and cash	*21*	179,316	107,991	51,469
		390,913	340,279	394,301
Current liabilities				
Trade and bills payables	*22*	72,877	70,216	96,285
Other payables and accruals	*23*	43,986	41,638	48,852
Income tax payables		13,086	2,566	3,203
Contract liabilities	*24*	7,729	792	5,685
Lease liabilities	*25*	509	609	324
Bank borrowings	*26*	77,100	59,600	74,700
Other borrowings	*27*	97,400	95,650	95,650
Deferred income	*28*	1,382	1,791	909
		314,069	272,862	325,608
Net current assets		76,844	67,417	68,693
Total assets less current liabilities		412,592	440,347	487,300

	Notes	As at 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000
Non-current liabilities				
Lease liabilities	*25*	520	327	–
Bank borrowings	*26*	10,000	–	–
Deferred income	*28*	2,381	5,090	8,181
		12,901	5,417	8,181
Net assets		399,691	434,930	479,119
Capital and reserves				
Share capital	*30*	85,646	85,646	85,646
Reserves		314,045	349,284	393,473
Total equity		399,691	434,930	479,119

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	106,258	146,012	140,586
Right-of-use assets	*17*	3,572	3,472	3,372
Prepayments	*20*	2,677	271	1,862
Deferred tax assets	*29*	6,818	2,741	1,724
Investments in subsidiaries	*38*	66,918	66,918	66,918
		186,243	219,414	214,462
Current assets				
Inventories	*18*	46,248	58,144	38,606
Trade and bills receivables	*19*	127,213	99,556	158,260
Prepayments, deposits and other receivables	*20*	5,537	5,178	11,247
Amounts due from subsidiaries	*36(c)*	55,428	34,127	104,044
Bank balances and cash	*21*	72,113	80,505	29,774
		306,539	277,510	341,931
Current liabilities				
Trade and bills payables	*22*	23,156	29,551	36,366
Other payables and accruals	*23*	24,266	21,729	21,892
Contract liabilities	*24*	2,808	532	286
Amounts due to subsidiaries	*36(c)*	10,000	151	–
Bank borrowings	*26*	53,800	24,800	54,900
Deferred income	*28*	1,382	1,791	909
		115,412	78,554	114,353
Net current assets		191,127	198,956	227,578
Total assets less current liabilities		377,370	418,370	442,040

	Notes	As at 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank borrowings	*26*	10,000	–	–
Deferred income	*28*	2,381	5,090	8,181
		12,381	5,090	8,181
Net assets		364,989	413,280	433,859
Capital and reserves				
Share capital	*30*	85,646	85,646	85,646
Reserves	*31*	279,343	327,634	348,213
Total equity		364,989	413,280	433,859

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000* *(Note 30)*	Capital reserve *RMB'000* *(Note 31(a))*	Statutory reserve *RMB'000* *(Note 31(b))*	Translation reserve *RMB'000*	Safety production fund *RMB'000* *(Note 31(c))*	(Accumulated losses) Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2022	85,646	250,543	4,268	3,352	14,540	(71,640)	286,709
Profit for the year	–	–	–	–	–	122,021	122,021
Exchange differences on translation of foreign operations	–	–	–	(474)	–	–	(474)
Total comprehensive income for the year	–	–	–	(474)	–	122,021	121,547
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(8,565)	(8,565)
Appropriation to statutory reserve	–	–	133	–	–	(133)	–
Net movement of safety production fund	–	–	–	–	5,773	(5,773)	–
At 31 December 2022 and 1 January 2023	85,646	250,543	4,401	2,878	20,313	35,910	399,691
Profit for the year	–	–	–	–	–	44,662	44,662
Exchange differences on translation of foreign operations	–	–	–	1,711	–	–	1,711
Total comprehensive income for the year	–	–	–	1,711	–	44,662	46,373
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(11,134)	(11,134)
Appropriation to statutory reserve	–	–	6,016	–	–	(6,016)	–
Net movement of safety production fund	–	–	–	–	439	(439)	–
At 31 December 2023 and 1 January 2024	85,646	250,543	10,417	4,589	20,752	62,983	434,930
Profit for the year	–	–	–	–	–	43,406	43,406
Exchange differences on translation of foreign operations	–	–	–	783	–	–	783
Total comprehensive income for the year	–	–	–	783	–	43,406	44,189
Appropriation to statutory reserve	–	–	2,058	–	–	(2,058)	–
Net movement of safety production fund	–	–	–	–	845	(845)	–
At 31 December 2024	85,646	250,543	12,475	5,372	21,597	103,486	479,119

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000
OPERATING ACTIVITIES				
Profit before taxation		149,316	48,382	48,734
Adjustments for:				
Interest income on bank deposits	*7*	(391)	(5,302)	(3,603)
Finance costs	*9*	4,957	3,470	2,786
Depreciation of property, plant and equipment	*16*	36,679	33,449	37,794
Depreciation of right-of-use assets	*17*	1,075	1,236	1,035
Provision for write-down of inventories	*10*	12,411	6,142	3,961
Impairment losses under expected credit loss model, net of reversal	*8*	1,126	867	5,633
Impairment loss of property, plant and equipment	*16*	5,544	264	–
Realised gain on financial assets at fair value through profit or loss	*7*	(1,209)	(285)	–
Net loss (gain) on write off/disposal of property, plant and equipment	*7*	12,719	(34)	304
Release of assets-related government subsidies	*7*	(1,382)	(1,382)	(1,791)
Operating cash flows before movements in working capital		220,845	86,807	94,853

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Decrease (increase) in inventories	17,760	(14,106)	2,021
Increase in trade and bills receivables	(1,468)	(15,936)	(112,542)
(Increase) decrease in prepayments, deposit and other receivables	1,558	3,300	(5,583)
(Increase) decrease in pledged/restricted bank deposits	4,137	(1,727)	(2,543)
Increase (decrease) in trade and bills payables	(24,862)	(3,091)	26,124
Increase (decrease) in other payables and accruals	(10,094)	(8,127)	5,049
Increase (decrease) in contract liabilities	(6,161)	(6,937)	4,893
Cash generated from operations	201,715	40,183	12,272
Income tax paid	(9,318)	(13,983)	(7,972)
Net cash generated from operating activities	**192,397**	**26,200**	**4,300**
INVESTING ACTIVITIES			
Interest received	391	5,302	3,603
Assets-related government subsidies received	–	4,500	4,000
Purchase of property, plant and equipment	(46,797)	(68,421)	(79,718)
Proceeds from disposal/write off of property, plant and equipment	787	1,379	34
Purchase of financial assets at fair value through profit or loss	(236,082)	(105,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss	237,291	105,285	–
Settlement of consideration receivables from disposal of a subsidiary	1,078	–	–
Net cash used in investing activities	**(43,332)**	**(56,955)**	**(72,081)**

	Notes	Year ended 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000
FINANCING ACTIVITIES				
Interest paid		(5,653)	(3,461)	(2,743)
New bank borrowings raised		131,700	93,800	98,600
Repayments of bank borrowings		(150,500)	(121,300)	(83,500)
Repayments of other borrowings		(17,600)	(1,750)	–
Repayments of lease liabilities		(937)	(817)	(745)
Payments of deferred issue costs		–	–	(4,324)
Dividend paid		(8,565)	(11,134)	–
Net cash generated from (used in) financing activities	*37*	**(51,555)**	**(44,662)**	**7,288**
Net (decrease) increase in cash and cash equivalents		**97,510**	**(75,417)**	**(60,493)**
Cash and cash equivalents at beginning of the year		**82,501**	**178,246**	**105,194**
Effects of foreign exchange rate changes		**(1,765)**	**2,365**	**1,428**
Cash and cash equivalents at end of the year	*21*	**178,246**	**105,194**	**46,129**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Newtrend Group Holding Co., Ltd. (the "**Company**") (新琪安集團股份有限公司), formerly named as Ji'an Newtrend Technology Co., Ltd (吉安市新琪安科技有限公司) and Newtrend Technology Co., Ltd. (新琪安科技股份有限公司), was established in People's Republic of China (the "**PRC**") on 8 September 2006 as a limited liability company.

The Company was converted from a limited liability company into a joint stock limited liability company and changed its registered name from Ji'an Newtrend Technology Co., Ltd. to Newtrend Technology Co., Ltd. on 4 December 2017. On 24 February 2025, the Company was renamed as Newtrend Group Holding Co., Ltd.* (新琪安集團股份有限公司).

During the Track Record Period, the Company and its subsidiaries (together, "**the Group**") are principally engaged in the manufacturing and sale of food-grade glycine, industrial-grade glycine and sucralose.

The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were audited by Pan-China Certified Public Accountants LLP.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information have been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all the HKFRSs which are effective for the Group's financial period beginning on 1 January 2024, throughout the Track Record Period.

3. APPLICATION OF AMENDMENTS TO HKFRSs

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

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
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 periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

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

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

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

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

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

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Safety production fund

Pursuant to regulation No. [2012]16 and No. [2022]136, "Management measures of accrual and use of safety production fund of business enterprises", issued by the Ministry of Finance and the State Administration of Work Safety, certain subsidiaries of the Group are required to accrue safety production fund. The fee is earmarked for improving the safety of production.

Relevant companies are required to set aside the provision to a fund for future development and work safety which they transferred certain amounts from retained earnings/(accumulated losses) to a specific reserve. When qualifying development expenditure and improvements of safety incurred, an equivalent amount is transferred from the specific reserve to retained earnings/(accumulated losses).

Lease

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Development expenditure which does not meet these criteria is expensed when incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income, gains and losses".

Employee benefits

Pension schemes

In accordance with the relevant laws and regulations, the Group's employees participate in various defined contribution plans and state-managed retirement benefit plans in the countries in which the Group operates. Payments to these plans, where the Group's obligations under such plans are equivalent to a defined contribution plan, are recognised as an expense based on certain percentages of the salaries of these employees on a monthly basis when employees have rendered services entitling them to the contributions. Contributions to these plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

For employees in Thailand

The Group registers its employees in Thailand with Workmen's Compensation Fund and Social Security Fund as required by laws in Thailand. The Group is required to make annual contributions to the Workmen's Compensation Fund and monthly contributions to the Social Security Fund, and the only obligation of the Group with respect to these funds is to make the required contributions.

For employees in Indonesia

The Group participates in an employee social security programme (the "**Indonesian Social Security Programme**") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Indonesian Social Security Programme, the employer is required to contribute a fixed percentage of the employee's salaries every month.

Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Taxation

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings and structures, machinery, office equipment and motor vehicles in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less) that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions, contingent assets/liabilities and onerous contracts

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote, Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (direct labour and materials) and an allocation of other costs (an allocation of the depreciation charge for property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Financial assets

Fair value measurement

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.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information 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:

For assets and liabilities that are recognised in the Historical Financial Information 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.

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

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

Amortised cost and interest income

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

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income, gains and losses" line item.

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, deposits and other receivables, restricted bank balances, bank balances and cash and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of loss allowance is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the loss allowance that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and bills receivables. The ECL on these assets are assessed on an individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of loss allowance

The measurement of loss allowance is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of loss allowance reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the loss allowance is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed.

Lifetime ECL for trade receivables, which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtor; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, other borrowings, trade and other payables, and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the ECL model under HKFRS 9 Financial Instruments, and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Related parties

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

  (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) both entities are joint ventures of the same third party.

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

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) the entity is controlled or jointly controlled by a person identified in (i).

  (vii) a person identified in (i)(a) 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).

  (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the Group's parent.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

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

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of property, plant and equipment and right-of-use assets as described in Note 4. The carrying amounts of property, plant and equipment and right-of-use assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's property, plant and equipment and right-of-use assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Income taxes

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

Deferred tax assets

As at 31 December 2022, 2023 and 2024, the tax losses of RMB63,231,000, RMB56,895,000 and RMB62,958,000, have been recognised as deferred tax assets in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of RMB16,476,000, RMB16,590,000 and RMB2,127,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, 2023 and 2024, the carrying amounts of trade receivables were RMB97,319,000, RMB112,984,000 and RMB220,164,000 (net of allowance of RMB5,576,000, RMB6,441,000 and RMB12,103,000, respectively).

Net realisable value of inventories

As at 31 December 2022, 2023 and 2024, the carrying amounts of the Group's inventories were RMB90,123,000, RMB98,087,000 and RMB91,903,000, respectively. During the years ended 31 December 2022, 2023 and 2024, a provision for write-down of inventories of RMB12,411,000, RMB6,142,000 and RMB3,961,000 was recognised in profit or loss, respectively.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgment on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

6. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products line for the Track Record Period is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of sucralose products	377,424	228,286	237,471
Sales of food-grade glycine products	308,931	179,418	239,005
Sales of industrial-grade glycine products	58,098	27,233	66,371
Sales of other products	17,046	12,001	26,020
	761,499	446,938	568,867

All revenue was recognised at a point in time. Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied performance obligation as at 31 December 2022, 2023, and 2024 amounting to RMB7,729,000, RMB792,000 and RMB5,685,000, respectively, would be recognised as revenue in the next year.

The Group is mainly engaged in the manufacturing and sales of sucralose, food-grade glycine and industrial-grade glycine products. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

No segment of assets and liabilities are presented as no discrete financial information is available.

Geographical information

A geographical analysis of the Group's revenue from external customers is presented based on the geographical areas where the goods are sold; while information about the carrying amount of non-current assets, excluding deferred tax assets, is presented based on the geographical areas of the assets, as follows:

	Revenue from external customers Year ended 31 December			Carrying amounts of non-current assets As at 31 December		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	131,945	67,253	116,445	248,896	276,230	260,118
Asia (excluding Mainland China)	97,912	69,988	55,149	71,982	81,937	140,598
Europe	244,599	163,297	119,182	2	–	–
North America	70,672	82,133	233,786	–	–	–
South America	102,038	37,687	28,509	–	–	–
Africa	95,433	20,445	8,910	–	–	–
Oceania	18,900	6,135	6,886	–	–	–
	761,499	446,938	568,867	320,880	358,167	400,716

Revenue from major customers

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective periods are set out below:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	N/A*	N/A*	98,604
Customer B	N/A*	44,913	80,363
Customer C	125,255	73,857	64,332
Customer D	174,548	70,941	N/A*

* Less than 10% of the Group's revenue in the respective years.

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank deposits	391	5,302	3,603
Release of assets-related government subsidies *(Note 28)*	1,382	1,382	1,791
Income-related government grants *(Note i)*	6,627	8,778	4,699
Sundry income	176	422	470
Sundry expenses	(874)	(343)	(730)
Realised gain on financial assets at fair value through profit or loss *(Note ii)*	1,209	285	–
(Loss) gain on write off/disposal of property, plant and equipment	(12,719)	34	(304)
Impairment loss on property, plant and equipment	(5,544)	(264)	–
Foreign exchange gains, net	24,063	8,188	8,152
	14,711	23,784	17,681

Notes:

(i) Government grants mainly represented the government subsidies received from the local governments in the PRC to support the research and development, industry development and employee stability and recruitment of the Group.

(ii) Financial assets at fair value through profit or loss primarily comprised wealth management products.

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses recognised (reversed) on:			
– trade receivables	1,112	800	5,696
– deposits and other receivables	14	67	(63)
	1,126	867	5,633

Details of impairment assessment are set out in Note 40.

9. FINANCE COSTS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interests on:			
– bank borrowings	4,673	3,413	2,753
– other borrowings	260	–	–
– lease liabilities	24	57	33
	4,957	3,470	2,786

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Provision for write-down of inventories	12,411	6,142	3,961
Cost of inventories recognised as expenses *(Note i)*	566,640	367,039	466,967
Listing expenses	–	–	10,207
Depreciation of property, plant and equipment *(Note 16)*	36,679	33,449	37,794
Depreciation of right-of-use assets *(Note 17)*	1,075	1,236	1,035
Directors' emolument: *(Note 12)*			
– Salaries and allowance	1,745	1,985	1,789
– Retirement benefits scheme	63	62	63
Other staff costs:			
– Salaries and allowance	45,242	45,742	42,698
– Retirement benefits scheme	6,743	6,235	6,929

Note:

(i) Cost of inventories include staff costs, depreciation and provision for write-down of inventories of RMB30,045,000, RMB33,306,000 and RMB12,411,000 for the year ended 31 December 2022, RMB33,433,000, RMB32,565,000 and RMB6,142,000 for the year ended 31 December 2023, RMB30,244,000, RMB32,983,000 and RMB3,961,000 for the year ended 31 December 2024, which amounts are also included in the respective total amounts disclosed separately.

11. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax:			
– PRC enterprise income tax	20,270	2,657	1
– Overseas income tax	1,975	776	8,609
	22,245	3,433	8,610
Deferred taxation *(Note 29)*	5,050	287	(3,282)
	27,295	3,720	5,328

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the group entities established in the PRC is 25% for the Track Record Period unless they are subject to tax exemption set out below.

The Company was qualified as a "High and New Technology Enterprise" ("**HNTE**") in November 2018 and renewed the qualification in November 2021 and October 2024, hence it enjoys a preferential income tax rate of 15% from 2018 to 2024.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, the Company as a High and New Technology Enterprise is entitled to claim 200% of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the Track Record Period ("**Super Deduction**").

During the year ended 31 December 2022, the Company as a High and New Technology Enterprise is allowed to deduct the full amount of equipment newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement 2022 No.28 issued by the Ministry of Finance of the PRC, the State Administration of Taxation of the PRC and the Ministry of Science and Technology of the PRC.

A subsidiary of the Group that established in 2022 is eligible as a "Small Low-profit Enterprise" and subject to the relevant preferential tax treatments. During the years ended 31 December 2022 and 2024, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%. No provision for EIT has been made as the subsidiary did not generate any assessable profits during the year ended 31 December 2023.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% for the Track Record Period.

The Group's entity incorporated in Indonesia is subject to the corporate income tax at a rate of 22% for the Track Record Period.

The Group's entity incorporated in Thailand is subject to the corporate income tax at a rate of 20% for the Track Record Period. Under the investment preferential Thailand Board of Investment ("**BOI**") policy, the subsidiary in Thailand is not subject to tax on its BOI business income relating to manufacturing of sucralose by virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520 of Thailand which belongs to the preferential policy for the year ended 31 December 2024.

The Group's entity incorporated in the Netherlands is subject to the corporate income tax at a rate of 15% for the year ended 31 December 2022 for taxable income that does not exceed the amount of EUR395,000, respectively, and the tax rate of 25.8%, respectively, should apply to the taxable income exceeds the amount of EUR395,000. For the years ended 31 December 2023 and 2024, the corporate income tax is 19% for taxable income that does not exceed the amount of EUR200,000, and the tax rate of 25.8% should apply to the taxable income exceeds the amount of EUR200,000.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	149,316	48,382	48,734
Tax charged at statutory tax rates applicable to the jurisdictions concerned	32,252	7,470	9,733
Tax effect of expenses not deductible for tax purpose	964	379	273
Tax effect of Super Deduction of qualified research and development expenditure	(2,094)	(2,476)	(2,255)
Tax effect of deduction on equipment newly purchased	(2,268)	–	–
Tax effect of income not taxable for tax purpose	(224)	(30)	(566)
Tax losses and temporary differences for which no deferred income tax asset was recognised	(1,333)	(964)	(193)
Utilisation of tax losses previously not recognised	–	(20)	(1,942)
Derecognition of deferred tax assets previously recognised	–	52	278
Income tax at concessionary rate	(2)	–	–
Effect on opening deferred tax assets resulting from change in applicable tax rate	–	(691)	–
Income tax expense	27,295	3,720	5,328

12. DIRECTORS' EMOLUMENT

Directors' emoluments

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are as follows:

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2022				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	506	–	506
Ms. Chen Lijun	25 August 2007	388	–	388
Mr. Wang Hao	12 September 2016	351	11	362
Mr. Wu Dingfeng	16 November 2017	192	40	232
Ms. Zuo Yue	21 June 2024	243	12	255
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	15	–	15
Mr. Lo Kwing Yu	21 June 2024	–	–	–
		1,745	63	1,808

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2023				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	517	–	517
Ms. Chen Lijun	25 August 2007	459	–	459
Mr. Wang Hao	12 September 2016	459	11	470
Mr. Wu Dingfeng	16 November 2017	278	39	317
Ms. Zuo Yue	21 June 2024	172	12	184
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	50	–	50
Mr. Lo Kwing Yu	21 June 2024	–	–	–
		1,985	62	2,047

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2024				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	354	–	354
Ms. Chen Lijun	25 August 2007	306	–	306
Mr. Wang Hao	12 September 2016	478	11	489
Mr. Wu Dingfeng	16 November 2017	300	40	340
Ms. Zuo Yue	21 June 2024	181	12	193
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	50	–	50
Mr. Lo Kwing Yu	21 June 2024	70	–	70
		1,789	63	1,852

(i) The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period;

(ii) During the Track Record Period, there was no arrangement under which a director waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office; and

(iii) The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company during the Track Record Period.

13. FIVE HIGHEST PAID INDIVIDUALS

Three of the five individuals with the highest emoluments in the Group were directors of the Company for the Track Record Period, whose emoluments is included in the disclosure above. The emoluments of the remaining individuals are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits	477	650	1,020
Discretionary bonus	123	130	–
Retirement benefits scheme	82	16	17
	682	796	1,037

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 December		
	2022	**2023**	**2024**
Nil to HK$1,000,000	2	2	2

14. DIVIDENDS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution:			
2022 Interim — RMB0.1 per share	8,565	–	–
2022 Final — RMB0.13 per share	–	11,134	–
	8,565	11,134	–

Pursuant to a resolution passed in the shareholders' meeting of the Company on 16 November 2022, interim dividends of RMB8,565,000 were declared to the Company's shareholders, which were fully paid on 25 November 2022. And pursuant to a resolution passed in the shareholders' meeting of the Company on 30 June 2023, final dividend of RMB11,134,000 in respect of the year ended 31 December 2022 were declared to the Company's shareholders, which were fully paid on 24 August 2023. No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2024.

15. EARNINGS PER SHARE

The basic earnings per share attributable to equity shareholders of the Company is calculated as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
Profit attributable to owners of the Company *(RMB'000)*	122,021	44,662	43,406
Number of ordinary shares in issue *(thousand shares)*	85,646	85,646	85,646
Basic earnings per share for profit attributable to owners of the Company *(in RMB)*	1.42	0.52	0.51

No diluted earnings per share was presented for the Track Record Period as the Company did not have any dilutive potential ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RMB'000	Buildings and structures RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	19,174	162,107	312,034	6,342	4,317	22,123	526,097
Additions	–	1,311	1,437	706	633	31,893	35,980
Transfer in/(out)	–	166	4,961	–	–	(5,127)	–
Write-off/disposal	–	(635)	(34,785)	(92)	(27)	(16,045)	(51,584)
Exchange realignment	311	802	341	45	49	(8)	1,540
At 31 December 2022 and 1 January 2023	19,485	163,751	283,988	7,001	4,972	32,836	512,033
Additions	–	1,311	5,813	822	377	65,711	74,034
Transfer in/(out)	–	3,108	44,271	–	–	(47,379)	–
Write-off/disposal	–	–	(3,813)	(380)	(23)	–	(4,216)
Exchange realignment	656	1,204	1,323	32	45	253	3,513
At 31 December 2023 and 1 January 2024	20,141	169,374	331,582	7,475	5,371	51,421	585,364
Additions	–	2,456	1,109	728	825	74,975	80,093
Transfer in/(out)	–	20,006	34,941	792	–	(55,739)	–
Write-off/disposal	–	(126)	(1,134)	(149)	(204)	–	(1,613)
Exchange realignment	(34)	132	(251)	23	19	509	398
At 31 December 2024	20,107	191,842	366,247	8,869	6,011	71,166	664,242
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	–	47,072	132,421	5,169	3,781	16,045	204,488
Charge for the year	–	8,457	27,464	388	370	–	36,679
Impairment loss recognised in profit or loss	–	215	5,329	–	–	–	5,544
Eliminated on write-off/disposal	–	(357)	(21,574)	(87)	(15)	(16,045)	(38,078)
Exchange realignment	–	329	346	45	49	–	769

	Freehold land	Buildings and structures	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023	–	55,716	143,986	5,515	4,185	–	209,402
Charge for the year	–	9,047	23,675	471	256	–	33,449
Impairment loss recognised in profit or loss	–	–	264	–	–	–	264
Eliminated on write-off/disposal	–	–	(2,548)	(317)	(6)	–	(2,871)
Exchange realignment	–	293	500	30	35	–	858
At 31 December 2023 and 1 January 2024	–	65,056	165,877	5,699	4,470	–	241,102
Charge for the year	–	8,532	28,319	714	229	–	37,794
Eliminated on write-off/disposal	–	(86)	(862)	(133)	(193)	–	(1,274)
Exchange realignment	–	163	25	20	23	–	231
At 31 December 2024	–	73,665	193,359	6,300	4,529	–	277,853
CARRYING AMOUNTS							
At 31 December 2022	19,485	108,035	140,002	1,486	787	32,836	302,631
At 31 December 2023	20,141	104,318	165,705	1,776	901	51,421	344,262
At 31 December 2024	20,107	118,177	172,888	2,569	1,482	71,166	386,389

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings and structures	Shorter of the term of the lease, 3%-10%
Machinery	9%-33%
Office equipment	19%-33%
Motor vehicles	12%-20%

The Group has pledged buildings and structure and machinery with carrying amount of approximately RMB23,495,000, RMB23,617,000 and RMB22,440,000 as at 31 December 2022, 2023 and 2024, respectively, to secure bank borrowings granted to the Group.

As at 31 December 2022, 2023 and 2024, the Group was still in the process of applying for the ownership certificates for buildings and structures with a total carrying amount of RMB37,118,000, RMB28,058,000 and RMB25,435,000, respectively.

The Company

	Buildings and structures RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2022	47,885	160,636	2,766	544	19,407	231,238
Additions	–	1,148	549	610	28,433	30,740
Write-off/disposal	(635)	(32,978)	(92)	–	(16,045)	(49,750)
Transfer in/(out)	–	633	–	–	(633)	–
At 31 December 2022 and 1 January 2023	47,250	129,439	3,223	1,154	31,162	212,228
Additions	–	3,698	301	–	48,990	52,989
Write-off/disposal	–	(3,603)	(59)	–	–	(3,662)
Transfer in/(out)	3,108	42,597	–	–	(45,705)	–
At 31 December 2023 and 1 January 2024	50,358	172,131	3,465	1,154	34,447	261,555
Additions	41	584	448	48	8,554	9,675
Transfer in/(out)	16,621	16,088	792	–	(33,501)	–
Write-off/disposal	–	(719)	(100)	(100)	–	(919)
At 31 December 2024	67,020	188,084	4,605	1,102	9,500	270,311
DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	19,159	84,502	2,351	514	16,045	122,571
Charge for the year	2,339	13,356	127	43	–	15,865
Impairment loss recognised in profit or loss	–	4,851	–	–	–	4,851
Eliminated on write-off/disposal	(357)	(20,828)	(87)	–	(16,045)	(37,317)
At 31 December 2022 and 1 January 2023	21,141	81,881	2,391	557	–	105,970
Charge for the year	2,038	9,491	147	116	–	11,792
Impairment loss recognised in profit or loss	–	263	–	–	–	263
Eliminated on write-off/disposal	–	(2,447)	(35)	–	–	(2,482)
At 31 December 2023 and 1 January 2024	23,179	89,188	2,503	673	–	115,543
Charge for the year	2,041	12,550	272	116	–	14,979
Eliminated on write-off/disposal	–	(614)	(88)	(95)	–	(797)
At 31 December 2024	25,220	101,124	2,687	694	–	129,725
CARRYING AMOUNTS						
At 31 December 2022	26,109	47,558	832	597	31,162	106,258
At 31 December 2023	27,179	82,943	962	481	34,447	146,012
At 31 December 2024	41,800	86,960	1,918	408	9,500	140,586

17. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands *RMB'000*	Lease properties *RMB'000*	Total *RMB'000*
At 1 January 2022	13,197	727	13,924
Additions	–	1,120	1,120
Depreciation charged during the year	(348)	(727)	(1,075)
At 31 December 2022 and 1 January 2023	12,849	1,120	13,969
Additions	–	667	667
Depreciation charged during the year	(348)	(888)	(1,236)
At 31 December 2023 and 1 January 2024	12,501	899	13,400
Additions	–	100	100
Depreciation charged during the year	(347)	(688)	(1,035)
At 31 December 2024	12,154	311	12,465

	Year ended 31 December		
	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Depreciation on right-of-use assets	1,075	1,236	1,035
Interest expenses on lease liabilities (included in finance costs)	24	57	33
Expenses relating to short-term leases or leases to low value assets (included in administrative expenses)	395	90	85
Total cash outflow for leases	1,331	907	830

For the years ended 31 December 2022, 2023 and 2024, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands in the PRC.

The Group has pledged leasehold land with carrying amount of approximately RMB8,039,000, RMB5,679,000 and RMB7,563,000 to secure bank borrowings granted to the Group as at 31 December 2022, 2023 and 2024, respectively.

The Company

	Leasehold lands
	RMB'000
At 1 January 2022	3,672
Depreciation charged during the year	(100)
At 31 December 2022 and 1 January 2023	3,572
Depreciation charged during the year	(100)
At 31 December 2023 and 1 January 2024	3,472
Depreciation charged during the year	(100)
At 31 December 2024	3,372

18. INVENTORIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	19,949	19,908	19,480
Work in progress	27,348	29,192	23,123
Finished goods	43,806	48,433	42,012
Goods in transit	12,382	8,256	12,518
	103,485	105,789	97,133
Less: Provision for write-down	(13,362)	(7,702)	(5,230)
	90,123	98,087	91,903

Provision for write-down of inventories was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value and was recorded in "cost of sales". Movements in provision for write-down of inventories for the Track Record Period are as below:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	2,204	13,362	7,702
Provided for the year	12,411	6,142	3,961
Write-off	(1,253)	(11,802)	(6,433)
At the end of the year	13,362	7,702	5,230

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	13,094	4,623	6,964
Work in progress	15,946	14,024	14,890
Finished goods	10,948	36,390	10,953
Goods in transit	6,799	3,902	6,702
	46,787	58,939	39,509
Less: Provision for write-down	(539)	(795)	(903)
	46,248	58,144	38,606

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables — contract with customers	102,895	119,425	232,267
Less: Loss allowance	(5,576)	(6,441)	(12,103)
	97,319	112,984	220,164
Bills receivables	5,217	5,530	4,449
	102,536	118,514	224,613

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables — contract with customers	126,588	100,268	160,146
Less: Loss allowance	(4,492)	(3,109)	(4,121)
	122,096	97,159	156,025
Bills receivables	5,117	2,397	2,235
	127,213	99,556	158,260

The normal credit term to the customers is generally up to 180 days. As at 31 December 2022, 2023 and 2024, the amount of debtors included in the Group's trade receivables balances that are past due are approximately 8.3%, 7.6% and 16.1% respectively, and the Group is satisfied with the subsequent settlements and the credit quality of these customers had not been deteriorated.

The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables (net of allowance) presented based on the date of transfer of goods or issue of invoice at the end of each reporting period:

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	21,858	51,269	54,356
31 to 60 days	20,591	20,587	55,750
61 to 90 days	32,731	12,398	39,232
91 to 180 days	16,398	22,453	43,728
181 to 365 days	5,676	6,081	27,055
More than 1 year	65	196	43
	97,319	112,984	220,164

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	16,016	26,369	24,165
31 to 60 days	29,154	9,144	43,916
61 to 90 days	31,820	7,578	30,144
91 to 180 days	31,203	24,827	19,995
181 to 365 days	13,903	29,241	24,515
More than 1 year	–	–	13,290
	122,096	97,159	156,025

The movement in the allowance for trade receivables of the Group during the Track Record Period are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	4,415	5,576	6,441
Allowance for the year, net	1,112	800	5,696
Exchange realignment	49	65	(34)
Balance at end of the year	5,576	6,441	12,103

The fair values of trade and bills receivables of the Group approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivables that entitle the Group to receive the full face amount from the banks at maturity, which generally within 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivables. The Group from time to time endorses bank acceptance bills to suppliers in order to settle trade payables.

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB5,786,000, RMB25,916,000 and RMB43,368,000 at 31 December 2022, 2023 and 2024, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have the right of recourse against the Group if the Mainland China banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes accepted by large and reputable banks with amounts of RMB946,000, RMB21,455,000 and RMB38,936,000 at 31 December 2022, 2023 and 2024, respectively (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

For the rest of the Endorsed Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Notes. As at 31 December 2022, 2023 and 2024, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were RMB4,840,000, RMB4,461,000 and RMB4,432,000, respectively.

During the Track Record Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement during the Track Record Period.

Details of impairment assessment of trade and bills receivables are set out in Note 40.

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Amounts of Endorsed Notes	5,786	25,916	43,368
Less: the amount of derecognition upon the endorsement	(946)	(21,455)	(38,936)
Endorsed bills receivables that have not been derecognised and not yet due *(Note 23)*	4,840	4,461	4,432

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Amounts of Endorsed Notes	5,686	2,898	6,087
Less: the amount of derecognition upon the endorsement	(946)	(937)	(3,869)
Endorsed bills receivables that have not been derecognised and not yet due *(Note 23)*	4,740	1,961	2,218

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for acquisition of property, plant and equipment	4,280	505	1,862
Prepayment for raw materials	9,601	2,539	6,338
Prepayment of expenses	1,772	1,418	1,763
Deferred issue cost *(note)*	–	–	6,498
Deductible value-added tax	7,095	10,898	10,240
Other receivables	349	677	1,395
Deposits	243	346	206
	23,340	16,383	28,302
Less: Loss allowance	(122)	(191)	(124)
	23,218	16,192	28,178
Analysed for reporting purposes as:			
Current assets	18,938	15,687	26,316
Non-current assets	4,280	505	1,862
	23,218	16,192	28,178

The movement in the allowance for deposits and other receivables during the Track Record Period are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	106	122	191
Allowance for the year, net	14	67	(63)
Exchange realignment	2	2	(4)
Balance at end of the year	122	191	124

Details of impairment assessment of deposits and other receivables are set out in Note 40.

Deferred issue costs represent the qualified portion of issue costs incurred up to 31 December 2024, which will be debited to equity of the Company as share issue costs in respect of the issue of new shares upon listing.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for acquisition of property, plant and equipment	2,677	271	1,862
Prepayment for raw materials	81	16	1,871
Prepayment of expenses	1,484	996	282
Deferred issue cost *(note)*	–	–	6,498
Deductible value-added tax	3,881	4,011	2,594
Other receivables	–	100	10
Deposits	110	74	–
	8,233	5,468	13,117
Less: Loss allowance	(19)	(19)	(8)
	8,214	5,449	13,109
Analysed for reporting purposes as:			
Current assets	5,537	5,178	11,247
Non-current assets	2,677	271	1,862
	8,214	5,449	13,109

Note:

Deferred issue costs represent the qualified portion of issue costs incurred up to 31 December 2024, which will be debited to equity of the Company as share issue costs in respect of the issue of new shares upon listing.

21. BANK BALANCES AND CASH

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank balances and cash	179,316	107,991	51,469
Less: Pledged bank deposits	(1,070)	(2,797)	(5,340)
Cash and cash equivalents	178,246	105,194	46,129

The Group's pledged bank deposits represented deposits pledged to banks for issuance of bank acceptance bills.

Bank balances and cash of the Group deposited with banks are denominated in the following currencies:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
RMB	85,648	29,440	11,094
USD	86,118	73,595	36,060
EUR	6,332	3,548	3,759
THB	1,021	1,257	393
IDR	194	150	142
HKD	3	1	21
	179,316	107,991	51,469

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank balances and cash	72,113	80,505	29,774
Less: Pledged bank deposits	(1,070)	(2,797)	(5,340)
Cash and cash equivalents	71,043	77,708	24,434

Bank balances and cash of the Company deposited with banks are denominated in the following currencies:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
RMB	15,599	17,591	6,771
USD	56,514	62,914	23,003
	72,113	80,505	29,774

22. TRADE AND BILL PAYABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	70,227	60,893	78,486
Bills payables	2,650	9,323	17,799
	72,877	70,216	96,285

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	20,506	20,228	18,567
Bills payables	2,650	9,323	17,799
	23,156	29,551	36,366

The normal credit term to the Group is up to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	24,964	21,805	34,281
31 to 60 days	6,749	10,320	12,808
61 to 90 days	9,106	5,886	8,171
91 to 180 days	7,097	7,739	10,957
181 to 365 days	7,877	7,924	3,324
More than 1 year	14,434	7,219	8,945
	70,227	60,893	78,486

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	12,955	9,216	11,711
31 to 60 days	3,630	6,667	3,537
61 to 90 days	1,187	1,706	279
91 to 180 days	423	1,007	1,809
181 to 365 days	295	209	252
More than 1 year	2,016	1,423	979
	20,506	20,228	18,567

At the end of each reporting period, the Group's bills payables were issued by banks with maturities within 12 months and were secured by the Group's pledged bank deposits.

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and wages payables	6,609	4,542	4,924
Payables for purchases of property, plant and equipment	21,209	27,035	26,530
Other tax payables	5,923	663	996
Interest payables	113	65	75
Other payables	5,292	4,872	9,721
Accrued issue cost	–	–	2,174
Endorsed bills receivables that have not been derecognised and not yet due *(Note 19)*	4,840	4,461	4,432
	43,986	41,638	48,852

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and wages payables	3,315	1,929	2,175
Payables for purchases of property, plant and equipment	13,045	16,209	10,368
Other tax payables	828	199	442
Interest payables	85	27	54
Other payables	2,253	1,404	4,461
Accrued issue cost	–	–	2,174
Endorsed bills receivables that have not been derecognised and not yet due *(Note 19)*	4,740	1,961	2,218
	24,266	21,729	21,892

24. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	7,729	792	5,685

Contract liabilities represent advance from customers when the Group receives payments in advance of the sales of goods. Revenue recognised during the Track Record Period relates to carried-forward contract liabilities at the beginning of the year is RMB13,890,000, RMB7,729,000 and RMB792,000 for the years ended 31 December 2022, 2023 and 2024, respectively.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	2,808	532	286

25. LEASE LIABILITIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	509	609	324
More than one year, but not exceeding two years	255	327	–
More than two years, but not more than five years	265	–	–
	1,029	936	324
Less: Amount due for settlement within 12 months shown under current liabilities	(509)	(609)	(324)
Amount due for settlement after 12 months shown under non-current liabilities	520	327	–

The weighted average incremental borrowing rate applied to lease liabilities was 4.30% per annum, 4.30% per annum and 4.30% per annum at 31 December 2022, 2023 and 2024, respectively.

26. BANK BORROWINGS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	87,100	59,600	74,700
Secured and guaranteed	38,800	19,800	24,900
Unsecured and guaranteed	48,300	39,800	10,000
Secured and unguaranteed	–	–	19,800
Unsecured and unguaranteed	–	–	20,000
	87,100	59,600	74,700
Fixed-rate borrowings	83,100	59,600	74,700
Floating-rate borrowing	4,000	–	–
	87,100	59,600	74,700
Carrying amount repayable:			
Within one year	77,100	59,600	74,700
More than one year, but not exceeding two years	10,000	–	–
	87,100	59,600	74,700
Less: Amount due for settlement within 12 months shown under current liabilities	(77,100)	(59,600)	(74,700)
Amount due for settlement after 12 months shown under non-current liabilities	10,000	–	–

The Group's bank borrowings are denominated in RMB. The effective interest rates of the Group's bank borrowings are as follows:

	As at 31 December		
	2022	**2023**	**2024**
	%	%	%
Effective interest rate per annum:			
– Fixed-rate borrowings	3.85-5.20	3.45-3.85	2.80-3.50
– Floating-rate borrowing	5.22	N/A	N/A

Borrowings with carrying amounts of RMB83,100,000, RMB59,600,000 and RMB34,900,000 as at 31 December 2022, 2023 and 2024, were guaranteed by related parties (Note 36(d)).

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	63,800	24,800	54,900
Secured and guaranteed	29,000	10,000	24,900
Unsecured and guaranteed	34,800	14,800	20,000
Unsecured and unguaranteed	–	–	10,000
	63,800	24,800	54,900
Fixed-rate borrowings	63,800	24,800	54,900
Carrying amount repayable:			
Within one year	53,800	24,800	54,900
More than one year, but not exceeding two years	10,000	–	–
	63,800	24,800	54,900
Less: Amount due for settlement within 12 months shown under current liabilities	(53,800)	(24,800)	(54,900)
Amount due for settlement after 12 months shown under non-current liabilities	10,000	–	–

27. OTHER BORROWINGS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings	97,400	95,650	95,650
Carrying amount repayable:			
On demand or within one year	97,400	95,650	95,650

As at 31 December 2022, 2023 and 2024, all of the Group's other borrowings are denominated in RMB.

The other borrowings of RMB97,400,000, RMB95,650,000 and RMB95,650,000 respectively as at 31 December 2022, 2023 and 2024 is unsecured, interest-free on principal amount. Further, the other borrowing may be subject to the overdue penalty. For further details, please refer to details of contingent liability which are set out in note 32.

28. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Assets-related government subsidies at the beginning of the year	5,145	3,763	6,881
Addition	–	4,500	4,000
Released to profit or loss	(1,382)	(1,382)	(1,791)
At the end of the year	3,763	6,881	9,090
Analysed for reporting purposes as:			
Current liabilities	1,382	1,791	909
Non-current liabilities	2,381	5,090	8,181
	3,763	6,881	9,090

Deferred income arising from government subsidies relating to assets represents the government subsidies received in relation to the Group's purchase of property, plant and equipment, which was included in the consolidated statement of financial position as deferred income and credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets.

The exhaust gas improvement project related to RMB4,500,000 of the government subsidies received was completed and verified in December 2023, relevant assets have been transferred from construction in progress to property, plant and equipment at the same time. The subsidies are amortised on a straight-line basis over the useful life of the relevant assets during the year ended 31 December 2024.

The development and application of seaweed dietary fibre project related to RMB4,000,000 of the government subsidies received in December 2024. Upon completion and verification in 2025, the relevant assets will be transferred from construction in progress to property, plant and equipment, and the respective subsidies will be amortised on a straight-line basis over the useful life of the relevant assets. No subsidies are charged to the consolidated statement of profit or loss during the year ended 31 December 2024.

29. DEFERRED TAX ASSETS/LIABILITIES

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	17,136	17,156	20,040
Deferred tax liabilities	(2,268)	(2,393)	(2,149)
	14,868	14,763	17,891

The following are deferred tax assets and liabilities recognised and movements thereon during the Track Record Period:

	Impairment losses under ECL	Provision for write-down of inventories	Impairment loss on property, plant and, equipment	Unused tax losses	Unrealised profits	Accelerated tax depreciation	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	658	240	3,623	9,540	2,880	–	3,021	19,962
(Charged) credited to profit or loss	88	1,467	(1,616)	328	(592)	(2,268)	(2,457)	(5,050)
Exchange realignment	–	–	–	(44)	–	–	–	(44)
At 31 December 2022 and 1 January 2023	746	1,707	2,007	9,824	2,288	(2,268)	564	14,868
(Charged) credited to profit or loss	(47)	109	(46)	1,642	(2,414)	1	468	(287)
Exchange realignment	–	–	–	182	–	–	–	182
At 31 December 2023 and 1 January 2024	699	1,816	1,961	11,648	(126)	(2,267)	1,032	14,763
Credited (charged) to profit or loss	107	(776)	(26)	2,902	626	118	331	3,282
Exchange realignment	–	–	–	(154)	–	–	–	(154)
At 31 December 2024	806	1,040	1,935	14,396	500	(2,149)	1,363	17,891

As at 31 December 2022, 2023 and 2024, the Group has unused tax losses of approximately RMB79,707,000, RMB73,485,000 and RMB65,085,000, respectively, available for offset against future profits and deferred tax assets have been recognised in respect of approximately RMB63,231,000, RMB56,895,000 and RMB62,958,000, respectively, of such losses. As at 31 December 2022, 2023 and 2024, no deferred tax asset has been recognised in respect of the remaining approximately RMB16,476,000, RMB16,590,000 and RMB2,127,000, respectively, due to the unpredictability of future profit streams, which included in unrecognised tax losses of approximately RMB15,498,000, RMB15,949,000 and RMB2,127,000, respectively, will expire within five years. Other losses may be carried forward indefinitely.

The Company

	Impairment losses under ECL	**Provision for write-down of inventories**	**Impairment loss on property, plant and, equipment**	**Unused tax losses**	**Accelerated tax depreciation**	**Deferred income**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	287	90	3,232	6,018	–	3,022	12,649
(Charged) credited to profit or loss	389	(9)	(1,854)	368	(2,268)	(2,457)	(5,831)
At 31 December 2022 and 1 January 2023	676	81	1,378	6,386	(2,268)	565	6,818
(Charged) credited to profit or loss	(207)	38	(47)	(4,330)	1	468	(4,077)
At 31 December 2023 and 1 January 2024	469	119	1,331	2,056	(2,267)	1,033	2,741
(Charged) credited to profit or loss	150	17	(25)	(1,608)	118	331	(1,017)
At 31 December 2024	619	136	1,306	448	(2,149)	1,364	1,724

30. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*RMB'000*
Ordinary share of RMB1 each		
Registered, issued and fully paid		
At 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	85,646	85,646

31. RESERVES

The Company

	Capital reserve *RMB'000* *(Note a)*	Statutory reserve *RMB'000* *(Note b)*	Safety production fund *RMB'000* *(Note c)*	(Accumulated losses) Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2022	237,200	4,268	11,881	(26,868)	226,481
Profit for the year	–	–	–	61,427	61,427
Dividend recognised as distribution	–	–	–	(8,565)	(8,565)
Appropriation to statutory reserve	–	133	–	(133)	–
Net movement of safety production fund	–	–	2,911	(2,911)	–
At 31 December 2022 and 1 January 2023	237,200	4,401	14,792	22,950	279,343
Profit for the year	–	–	–	59,425	59,425
Dividend recognised as distribution	–	–	–	(11,134)	(11,134)
Appropriation to statutory reserve	–	6,016	–	(6,016)	–
Net movement of safety production fund	–	–	(741)	741	–
At 31 December 2023 and 1 January 2024	237,200	10,417	14,051	65,966	327,634
Profit for the year	–	–	–	20,579	20,579
Appropriation to statutory reserve	–	2,058	–	(2,058)	–
Net movement of safety production fund	–	–	(77)	77	–
At 31 December 2024	237,200	12,475	13,974	84,564	348,213

(a) Capital reserve

The capital reserve of the Group includes the share premium contributed by the shareholders of the Company.

(b) Statutory reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) Safety production fund

According to the relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products.

32. CONTINGENT ASSET, CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE CONTRACTS

Contingent asset and Contingent liabilities

Pursuant to an agreement (the "**Xizang Agreement**") entered into between Xizang Newtrend, a wholly owned subsidiary of the Company, the immediate holding Company of the Company, 西藏自治區藏青工業園管理委員會 (Xizang Autonomous Region Zangqing Industrial Park Management Committee*) (the "**Xizang Committee**") and Zang Qing Investment for the construction and development project in the Tibet Autonomous Region (the "**Xizang Project**"), Xizang Committee committed to provide subsidy for the natural gas expenses upon the operation of the boiler in the Project and 西藏藏青工業園投資股份有限公司 ("**Zang Qing Investment**") Zang Qing Investment assisted to provide funds to the Xizang Newtrend as borrowings, at 31 December 2022, 2023 and 2024, the balances were RMB97,400,000, RMB95,650,000 and RMB95,650,000 respectively. Newtrend Industrial, being one of our controlling shareholders, agreed to provide guarantee for Xizang Newtrend to repay the borrowing according to the agreement.

Xizang Newtrend has outstanding principal amount of borrowings from Zang Qing Investment amounted to RMB97,400,000, RMB95,650,000 and RMB95,650,000 as at 31 December 2022, 2023 and 2024 respectively, the amount was defaulted in repayment in 2018 in accordance with the repayment schedule and is unsecured and interest-free on the principal amount. Pursuant to the agreement, RMB40,000,000 would be repaid within the first year after the Xizang Project put into operation; and RMB60,000,000 would be repaid within the second year after the Xizang Project put into operation.

According to the liabilities for breach term in the agreement, Xizang Newtrend shall pay an overdue penalty amounting to one year benchmark loan interest rate of The People's Bank of China ("**PBOC**") of the overdue borrowing to Zang Qing Investment if Xizang Newtrend fails to repay the borrowing as per the schedule mentioned above and the unrecovered subsidy mention below also subject to one year benchmark loan interest rate of the PBOC of the overdue subsidies from Xizang Committee.

Xizang Committee committed to grant a subsidy as monthly financial assistance to the actual natural gas expense which exceed the base price stated in the agreement to Xizang Newtrend. Despite Xizang Newtrend has met the requirement with respect to the subsidy for the natural gas expenses on the operation of the boiler to the Xizang Project, the Group has not received any subsidy from the Xizang Committee as at the Latest Practicable Date. According to HKAS 20 Government Grants, government subsidy shall not be recognised until there is reasonable assurance that (i) the entity will comply with the conditions attaching to them; and (ii) the grants will be received. Therefore, the Group has not recognised any subsidy of the operation of the boiler in the Xizang Project as income in the consolidated financial statements at the Track Record Period. The directors of the Company considered it is possible that there will be an inflow of economic benefits regarding the aggregate unrecovered subsidy and interests accrued of amount RMB52.4 million, RMB62.9 million and RMB81.8 million at 31 December 2022, 2023 and 2024 respectively.

The management of the Company also closely communicate with Zang Qing Investment about the repayment progress of the borrowings and Xizang Committee about the unrecovered subsidy. The Group has not received any notice for the demand of the repayment of the overdue penalty from Zang Qing Investment. The directors of the Company considered the aggregate penalty of borrowings of amount RMB13.8 million, RMB17.3 million and RMB20.5 million at 31 December 2022, 2023 and 2024 respectively. With reference to the legal opinion, the PRC lawyer is of the view that the risk is remote for penalty to be imposed to Xizang Newtrend. Accordingly, the directors considered no provision in respect of the overdue penalty is necessary as it is unlikely that an outflow of economic benefits regarding overdue penalty incurred from the borrowing will be required.

For further details of the latest development of the contingent assets and liabilities, please refer to events after the Track Record Period which are set out in note 41.

Guarantees provided to the Redemption liability of Mr. Wang and Shenzhen Newtrend Industrial Development Co., Ltd ("Newtrend Industrial")

The Company provided financial guarantee (the "**Financial Guarantee**") to the redemption liability of Mr. Wang and Newtrend Industrial (the "**Redemption Liability**") to one of the shareholders, Pingtan Xinghang Longteng Equity Investment Partnership (Limited Partnership) ("**Pingtan Xinghang Investment**") in 2017. Pingtan Xinghang Investment was dissolved and shares of the Company held by Pingtan Xinghang Investment were distributed to Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership), Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership) and Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership) (collectively referred to as the "**Xingzheng Shareholders**") in 2020.

During 2018 to 2021, there had been discussions between the parties on the Redemption Liability and, in 2021 the Company, Mr. Wang, Newtrend Industrial and Xingzheng Shareholders entered into an agreement to reschedule the repayment terms of the Redemption Liability. Pursuant to this agreement, in addition to the Financial Guarantee, the Redemption Liability is further secured by (i) properties (the "**Pledged Assets**") owned by Mr. Wang, and his spouse, namely Ms. Ding; and (ii) properties (the "**Additional Pledged Assets**") owned by Mr. Wang's son, namely Mr. Wang Hao, and a company controlled by Mr. Wang Hao. The directors of the Company considered that the loss allowances for financial guarantee contracts were insignificant at each of the Track Record Period ended after taken into account of the Pledged Assets and the Additional Pledged Assets, therefore no loss allowance was recognised in the profit or loss during the Track Record Period.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Mr. Wong, Newtrend Industrial, certain shareholders and our Company, the Redemption Liability will be automatically released upon listing.

33. COMMITMENTS

The Group has the following capital expenditures contracted but not provided for at the end of each reporting period.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	24,730	7,641	4,644

34. PLEDGE OF ASSETS

At the end of each reporting period, the Group had pledged the following assets to banks as securities against general banking facilities, including banks borrowings and bills payables granted to the Group:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	23,495	23,617	22,440
Right-of-use assets	8,039	5,679	7,563
Pledged bank deposit	1,070	2,797	5,340
	32,604	32,093	35,343

35. RETIREMENT BENEFIT PLANS

The majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The Group therefore have no other legal or constructive obligation apart from the required contributions under the scheme.

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the subsidiary of the Group established in Hong Kong is required to make contributions to the Mandatory Provident Fund retirement scheme, which are defined contribution pension schemes. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the schemes.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. the subsidiaries of the Group established in Indonesia maintain and operate formal pension plans for the benefit of its employees, additional provisions for the estimated liabilities for employee service entitlement benefits are made on top of the benefits provided under their respective pension plans, if necessary, in order to meet and cover the minimum benefits required to be paid to employees under the Indonesian Labor Law.

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

36. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Wang	Controlling shareholder and director of the Company
Shenzhen Newtrend Industrial Development Co., Ltd.* (深圳市新琪安實業發展有限公司) ("**Newtrend Industrial**")	Controlling shareholder
Ms. He Qingfeng ("**Ms. He**")	Shareholder
Ms. Ding	Spouse of Mr. Wang and controlling shareholder
Mr. Wang Xiaorui	Brother of Mr. Wang and spouse of Ms. He
Shenzhen Anjie Electronics Co., Ltd. (深圳安杰電子有限公司) ("**Shenzhen Anjie**")	An entity controlled by a director of the Company, Mr. Wang Hao

* *For identification only*

(b) Transactions with related parties

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into transactions with the following related parties:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of raw materials from Shenzhen Anjie	860	–	–
Lease payment to Mr. Wang	276	276	276
Interest expenses on lease liabilities to Mr. Wang	11	32	21

(c) Balances with related parties

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade nature			
Lease liabilities due to Mr. Wang	764	520	266
Trade nature			
Trade payables due to Shenzhen Anjie	385	–	–

Lease liabilities are settled in accordance with the agreements entered into between the Group and Mr. Wang.

The Company

As disclosed in the statements of financial positions, the Company had below outstanding balances with related parties at 31 December 2022, 2023 and 2024.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from subsidiaries	36,752	38,090	77,725
Amounts due from subsidiaries	55,428	34,127	104,044
Trade payables to subsidiaries	(4,928)	(3,429)	(554)
Amounts due to subsidiaries	(10,000)	(151)	–

The Company's balances with related parties are unsecured, interest-free and repayable on demand.

(d) Guarantee from related parties

Bank borrowings

Certain related parties of the Group have provided guarantees in connection with interest-bearing bank borrowings up to RMB83,100,000, RMB59,600,000 and RMB34,900,000, respectively, as at each of the reporting periods.

As at 31 December 2022, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB39,000,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.95% to 5% per annum.

(ii) RMB15,000,000 guaranteed by Mr. Wang, Ms. Ding and Newtrend Industrial at interest rate 4.35% per annum.

(iii) RMB9,800,000 guaranteed by Mr. Wang and Ms. He at interest rate of 3.85% per annum.

(iv) RMB9,800,000 guaranteed by Mr. Wang Xiaorui and Ms. He at interest rate 4.55% per annum.

(v) RMB9,500,000 guaranteed by Mr. Wang, Ms. Ding, Mr. Wang Xiaorui and Ms. He at interest rate 4.8% per annum.

As at 31 December 2023, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB34,800,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.55% to 3.65% per annum.

(ii) RMB9,800,000 guaranteed by Mr. Wang and Ms. He at an interest rate of 3.45% per annum.

(iii) RMB15,000,000 guaranteed by Mr. Wang, Ms. Ding, Mr. Wang Xiaorui and Ms. He at interest rates ranging from 3.55% to 3.85% per annum.

As at 31 December 2024, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB34,900,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.15% to 3.45% per annum.

The guarantees provided by Mr. Wang, Ms. Ding and Newtrend Industrial will be released upon listing.

(e) Compensation of key management personnel

The remuneration of key management personnel of the Group during the Track Record Period was as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowance	2,070	2,378	3,114
Discretionary bonuses	606	769	-
Retirement benefits	179	175	191
	2,855	3,322	3,305

Key management represents the directors of the Company disclosed in Note 12 and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings	Interest payables	Dividend payables	Lease liabilities	Accrued issue cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	220,900	833	–	822	–	222,555
Financing cash flow *(Note)*	(36,400)	(5,653)	(8,565)	(937)	–	(51,555)
New lease	–	–	–	1,120	–	1,120
Finance cost recognised	–	4,933	–	24	–	4,957
Dividend declared	–	–	8,565	–	–	8,565
At 31 December 2022 and 1 January 2023	184,500	113	–	1,029	–	185,642
Financing cash flow *(Note)*	(29,250)	(3,461)	(11,134)	(817)	–	(44,662)
New lease	–	–	–	667	–	667
Finance cost recognised	–	3,413	–	57	–	3,470
Dividend declared	–	–	11,134	–	–	11,134
At 31 December 2023 and 1 January 2024	155,250	65	–	936	–	156,251
Financing cash flow *(Note)*	15,100	(2,743)	–	(745)	(4,324)	7,288
New lease	–	–	–	100	–	100
Finance cost recognised	–	2,753	–	33	–	2,786
Deferred issue cost	–	–	–	–	6,498	6,498
At 31 December 2024	170,350	75	–	324	2,174	172,923

Note:

The cash flows represent new bank borrowings raised, the repayments of bank and other borrowings, interest paid, repayments of lease liabilities, payments of deferred issue costs and dividend paid in the consolidated statements of cash flows.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, details of the subsidiaries directly and indirectly held by the Company are set out below.

Name	Place and date of establishment/ incorporation	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
深圳市新琪安健康科技有限公司 Shenzhen Newtrend Health Technology Co., Ltd.* *(Note i)*	PRC, 18 February 2011	RMB30,000,000	100%	–	Sales of sucralose products
江西安晟食品配料有限公司 Jiangxi Ansun Food Ingredients Co., Ltd.* *(Note i)*	PRC, 5 December 2003	RMB20,000,000	100%	–	Production of food-grade glycine
南昌市新琪安科技有限公司 Nanchang Newtrend Technology Co., Ltd.* *(Note i)*	PRC, 26 June 2017	RMB10,000,000	100%	–	Sales of food-grade glycine
西藏新琪安精細化工有限公司 Xizang Newtrend Fine Chemical Technology Co., Ltd.* *(Note i)*	PRC, 23 April 2014	RMB10,000,000	100%	–	Production of industrial-grade glycine
Newtrend Food Ingredient (Thailand) Co., Ltd. *(Note ii)*	Thailand, 5 March 2013	THB180,000,000	98%	2%	Sales of sucralose and food-grade glycine
吉安市智科貿易有限公司 Ji'an Zhike Trade Co., Ltd.* *(Note iii)*	PRC, 18 April 2022	RMB3,000,000	–	100%	Sales of sucralose products
NTFC (HK) CO., LIMITED *(Note iv)*	Hong Kong, 30 June 2015	HKD1,000,000	–	100%	Investment holding
Newtrend Europe B.V. *(Note v)*	Netherlands, 10 November 2017	EUR100,000	–	100%	Sales of sucralose and food-grade glycine to Europe market
PT. Newtrend Nutrition Ingredient *(Note v)*	Indonesia, 23 October 2019	IDR70,000,000,000	–	100%	Production of food-grade glycine
PT. NTFC Trading Indonesia *(Note v)*	Indonesia, 3 May 2023	IDR10,100,000,000	–	100%	Dormant company

Notes:

(i) The statutory financial statements for these entities for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP.

(ii) The statutory financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities and audited by Toyo Audit Co., Ltd. Up to the date of this report, the statutory financial statement for the year ended 31 December 2024 have not yet to be issued.

(iii) The statutory financial statements for the years ended 31 December 2022, 2023 and 2024 have not yet been issued as at the report date.

(iv) The statutory financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and audited by OCG CPA Limited. Up to the date of this report, the statutory financial statement for the year ended 31 December 2024 have not yet to be issued.

(v) No statutory financial statements have been prepared for these subsidiaries during the Track Record Period, as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation, unless otherwise required by tax bureau.

* English name for identification only.

The carrying amounts of the Company's investments in subsidiaries are set out as below:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	78,131	78,131	78,131
Less: Impairment loss	(11,213)	(11,213)	(11,213)
	66,918	66,918	66,918

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, new debts or the redemption of existing debts.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost:			
– trade and bills receivables	102,536	118,514	224,613
– deposits and other receivables *(Note i)*	470	832	1,477
– bank balances and cash	179,316	107,991	51,469
	282,322	227,337	277,559

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
At amortised cost:			
– trade and bill payables	72,877	70,216	96,285
– other payables *(Note ii)*	38,063	40,975	48,852
– lease liabilities	1,029	936	324
– bank borrowings	87,100	59,600	74,700
– other borrowings	97,400	95,650	95,650
	296,469	267,377	315,811

Notes:

(i) Excluded prepayment for acquisition of property, plant and equipment, prepayment for raw materials, prepayment of expenses, deferred issue cost and deductible value-added tax.

(ii) Excluded other tax payables and accrued issue cost.

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, bank and cash balances, restricted bank balances, borrowings other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group have foreign currency sales and bank balances which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
– USD	178,366	183,043	258,337

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
– USD	1,764	1,159	6,846

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

	Profit or loss		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
USD	8,830	9,094	12,575

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings (Note 26) and lease liabilities (Note 25), all bear fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 21) and floating-rate bank borrowing (Note 26). The Group currently does not have any instruments to hedge against the fair value interest rate risk.

No sensitivity analysis is presented since the management of Group considers the exposure of cash flow interest rate risk arising from variable-rate bank balances and floating-rate bank borrowing is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Group mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Group and the Company consider the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group and the Company continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the Track Record Period. The percentage of trade receivables attributable to these five largest customers amounted to 86.9%, 79.1% and 79.8% as at 31 December 2022, 2023 and 2024 respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Bills receivables

The Group only accepts bills receivables with low credit risk. The Group's bills receivables are bank acceptance bills and therefore are considered to be low credit risk financial instruments. Those banks who issue bank acceptance bills are creditworthy banks with no recent history of default. For the Track Record Period, loss allowance on bills receivables was insignificant.

Deposits and other receivables

For deposits and other receivables, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort.

Bank balances

The Group's credit risk on bank balances is low and there is no significant concentration of credit risk because the bank balances are deposited with creditworthy banks with no recent history of default. Loss allowance on bank balances was insignificant for the Track Record Period.

Financial guarantee

The Company provided guarantees for redemption liabilities (the "**Liability**") of Mr. Wang and Newtrend Industrial, which covered the principal, interests, penalties and other incidental expenses payable of the Liability. As at 31 December 2022, 2023 and 2024, the maximum credit risk exposure of the Liability was RMB70,419,000, RMB71,858,000 and RMB74,673,000, respectively.

Mr. Wang and his relatives offered counter-guarantee with commercial real estates and residential real estates as pledged assets (the "**Pledged Assets**") for the Company's guarantee. The fair value of the Pledged Assets is considered enough to shield the Company against almost any loss as a result of the guarantee related to the Liability. Because of the Liability is overdue in 2022, the solicitor of the creditor has issued a legal letter to the debtor, together with the Company, Newtrend Industrial and Mr. Wang to demand the payment of redemption. Since the Pledged Assets is considered enough to shield almost any loss of the financial guarantee of the Company, the management of the Company did not make a provision for ECL allowance on the financial guarantee for the year ended 31 December 2022, 2023 and 2024.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit Rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the assets is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	12m ECL or lifetime ECL	2022 Gross carrying amount *RMB'000*	2023 Gross carrying amount *RMB'000*	2024 Gross carrying amount *RMB'000*
Financial assets at amortised cost				
Bank balances	12m ECL	179,316	107,991	51,469
Trade receivables — contracts with customers	Lifetime ECL (collective assessment, not credit-impaired)	102,445	118,966	231,706
	Lifetime ECL (individual assessment, not credit impaired)	–	–	90
	Lifetime ECL (credit-impaired)	450	459	471
		102,895	119,425	232,267
Bill receivables	12m ECL	5,217	5,530	4,449
Other receivables	12m ECL	592	1,023	1,601

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired trade receivables which are assessed based on a collective basis under lifetime ECL model. Credit-impaired debtor with gross carrying amount of approximately RMB450,000, RMB459,000 and RMB471,000 for the years ended 31 December 2022, 2023 and 2024, respectively was assessed individually.

Internal credit rating	2022 Average loss rate	2022 Trade receivables RMB'000	2023 Average loss rate	2023 Trade receivables RMB'000	2024 Average loss rate	2024 Trade receivables RMB'000
Low risk	5%	102,445	5%	118,966	5%	231,706
Watch list	–	–	–	–	52%	90
Loss	100%	450	100%	459	100%	471
		102,895		119,425		232,267

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (collective assessment, not credit-impaired) RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	4,267	148	–	4,415
Transfer to lifetime ECL (credit-impaired)	–	(41)	41	–
Impairment losses recognised/(reversed)	809	(107)	410	1,112
Exchange adjustments	50	–	(1)	49
At 31 December 2022 and 1 January 2023	5,126	–	450	5,576
Impairment losses recognised	800	–	–	800
Exchange adjustments	56	–	9	65
At 31 December 2023 and 1 January 2024	5,982	–	459	6,441
Transfer to lifetime ECL (not credit-impaired)	(4)	4	–	–
Impairment losses recognised	5,653	43	–	5,696
Exchange adjustments	(45)	–	11	(34)
At 31 December 2024	11,586	47	470	12,103

The Group makes full provision for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Movements in the loss allowance account in respect of other receivables during Track Record Period are in Note 20.

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary.

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

	Effective interest rate	**On demand or less than 1 month**	**1 to 3 months**	**3 to 12 months**	**More than 1 year**	**2 to 5 years**	**Total contractual undiscounted cash flow**	**Total carrying value**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022								
Non-derivatives financial liabilities								
Trade and bills payables	–	72,877	–	–	–	–	72,877	72,877
Other payables	–	34,370	2,313	1,380	–	–	38,063	38,063
Lease liabilities	4.30	3	7	537	276	276	1,099	1,029
Bank borrowings	4.42	4,318	10,070	64,992	10,348	–	89,728	87,100
Other borrowing — non-interest bearing	–	97,400	–	–	–	–	97,400	97,400
Total		208,968	12,390	66,909	10,624	276	299,167	296,469
Guarantee issued								
Maximum guarantee exposure		70,419	–	–	–	–	70,419	70,419
As at 31 December 2023								
Non-derivatives financial liabilities								
Trade and bills payables	–	60,893	–	9,323	–	–	70,216	70,216
Other payables	–	36,589	1,290	3,096	–	–	40,975	40,975
Lease liabilities	4.30	32	64	545	338	–	979	936
Bank borrowings	3.58	178	15,311	45,289	–	–	60,778	59,600
Other borrowing — non-interest bearing	–	95,650	–	–	–	–	95,650	95,650
Total		193,342	16,665	58,253	338	–	268,598	267,377
Guarantee issued								
Maximum guarantee exposure		71,858	–	–	–	–	71,858	71,858

	Effective interest rate	On demand or less than 1 month	1 to 3 months	3 to 12 months	More than 1 year	2 to 5 years	Total contractual undiscounted cash flow	Total carrying value
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024								
Non-derivatives financial liabilities								
Trade and bills payables	–	78,486	3,828	13,971	–	–	96,285	96,285
Other payables	–	44,839	2,276	1,737	–	–	48,852	48,852
Lease liabilities	4.30	31	31	276	–	–	338	324
Bank borrowings	3.34	206	10,378	65,716	–	–	76,300	74,700
Other borrowing — non-interest bearing	–	95,650	–	–	–	–	95,650	95,650
Total		219,212	16,513	81,700	–	–	317,425	315,811
Guarantee issued								
Maximum guarantee exposure		74,673	–	–	–	–	74,673	74,673

Fair value measurement of financial instruments

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the Historical Financial Information approximate their fair values at the end of each reporting period.

During the Track Record Period, the Group invests in financial assets including wealth management products, trust products and forward contracts provided by banks in PRC and disposed of these financial assets during each reporting period. The Group did not hold any financial assets carried at fair value as at 31 December 2022, 2023 and 2024.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

41. EVENTS AFTER THE TRACK RECORD PERIOD

In January 2025, the Company, Xizang Newtrend, Newtrend Industrial, and Zang Qing Investment entered into a supplemental agreement (the "**Xizang Settlement Agreement**"), pursuant to which each party agreed to re-arrange the repayment schedules of the borrowing with principal amount of RMB95,650,000 as disclosed in note 27 and Xizang Newtrend agreed to provide its leasehold land and property, plant and machinery as a security (the "**New Zang Qing Borrowings**"). With the effect of Xizang Settlement Agreement, each party also agreed not to claim for a breach relating to their rights and obligations of unrecovered subsidy and overdue penalty as disclosed in note 32 — Contingent asset and Contingent liabilities, and the respective guarantee provided by Newtrend Industrial was released.

According to the re-arranged repayment schedule, Xizang Newtrend will repay part of the principal and interest by certain instalments in aggregate of approximately RMB37,540,000 from 2025 to 2027. The New Zang Qing Borrowings carried at prevailing market interest rate from 2025 to 2027 and the remaining balance should not be settled earlier than 1 January 2028 and subject to further negotiation.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2024.