CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

ANNUAL REPORT

2024

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Director
Mr. Zheng Yongxiang

Non-Executive Director
Mr. Zheng Hong *(Chairman)*

Independent Non-Executive Directors
Mr. Xu Yiliang
Mr. Wong Tak Shing
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

BOARD COMMITTEES

Audit committee
Mr. Wong Tak Shing *(Chairman)*
Mr. Xu Yiliang
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

Remuneration committee
Mr. Xu Yiliang *(Chairman)*
Mr. Wong Tak Shing
Mr. Zheng Hong
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

Nomination committee
Mr. Zheng Hong *(Chairman)*
Mr. Wong Tak Shing
Mr. Xu Yiliang
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B5, 22 Floor,
NCB Innovation Centre,
888 Lai Chi Kok Road,
Kowloon, Hong Kong

MANUFACTURING BASE IN THE PEOPLE'S REPUBLIC OF CHINA

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Morgan, Lewis and Bockius

As to PRC law:
Jiangxi Kangtuo Law Offices

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor

CAYMAN ISLANDS PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTER AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China (Fengxin Sub-branch)
Bank of China (Fengxin Sub-branch)
Bank of Communications Limited (Nanchang Donghu Sub-branch)
Bank of Ganzhou
Bank of Jiujiang
China Construction Bank Corporation (Fengxin Sub-branch)
China Everbright Bank Co. Ltd. (Fuzhou Nanmen Sub-branch)
China Merchant Bank (Nanchang Branch)
Fengxin Rural Commercial Bank
Industrial and Commercial Bank of China Limited (Fengxin Sub-branch)
Industrial Bank Co. Ltd. (Nanchang Branch)
Shanghai Pudong Development Bank Co. Ltd. (Nanchang Branch)

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Chairman's Statement

In 2024, the textile industry in the People's Republic of China ("**PRC**") continued to face a difficult operating environment marked by persistent geopolitical tensions, tight monetary policies at overseas, and uneven economic recovery. The prolonged military conflict between Russia and Ukraine ("**Russia Ukraine conflict**") and tensions in the Middle East exacerbated economic uncertainties, while high interest rates environment in major economies continued to suppress consumer demand. Against this backdrop, China's economy demonstrated relative resilience with 5.0% GDP growth, though slightly slower than 2023's 5.2%, reflecting weaker domestic consumption and global trade headwinds.

Despite these challenges, China Weaving Materials Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") have delivered considerable progress. Yarn sales volume increased by 5.4% to 101,534 tons, revenue grew by 15.8% to RMB1.282 billion, benefiting from improved market conditions and product mix optimization of the Group. Despite a gross profit of RMB42.2 million and profit from operations of approximately RMB5.1 million, the Group reported a net loss of RMB11.74 million, reflecting the intense pricing pressures across the industry.

At the operation level, our modernization program has progressed as planned. The new workshop with a capacity of 50,000 spindles, located at the site of the Group's subsidiary, Jinyuan Textile Co. Ltd. Jiangxi ("**Jiangxi Jinyuan**") was fully operation, replacing certain outdated facilities. This transition maintained our total production capacity at approximately 0.76 million spindles while improved the production efficiency of Jiangxi Jinyuan. Our product mix optimization yielded also contributed to positive results as we focus on polyester-cotton blended yarns products.

The market environment remains challenging as we enter 2025. While the rate cuts by Federal Reserve in the United States of America (the "**US**") in the third and fourth quarters of 2024 provided some relief, renewed trade tensions and unpredictable geopolitical conflicts continue to cloud the outlook. China's domestic retail market shows tentative signs of recovery, but export continued to show sign of weakness.

The Group considers the future of the textile market to be challenging. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group remains committed to emphasizing industrial safety and improving efficiency in its production process through increased automation. By leveraging the benefits of higher level of automation and the economies of scale, the Group believes it is well-positioned to capitalize on any turnaround in the textile industry.

Zheng Hong
Chairman

Hong Kong, 27 March 2025

Management Discussion and Analysis

MARKET OVERVIEW

In 2024, the global economy continues to face numerous challenges. The Russia-Ukraine Conflict persists, while tensions in the Middle East continue, particularly the ongoing conflict between Israel and Hamas (the "**Gaza Conflict**"). Inflationary pressures in major global economies have moderated to some extent, but interest rates remain relatively high, suppressing global consumption and investment demand. The Gross Domestic Product ("**GDP**") of the US grew by approximately 2.0% in 2024, down from 2.5% in 2023. The economic growth of the European Union (the "**EU**") remains weak, with a GDP growth of about 0.6% in 2024, slightly higher than that of 0.4% in 2023. The PRC recorded a GDP growth of approximately 5.0% in 2024, slightly lower than that of 5.2% in 2023, mainly due to slowing domestic demand and uncertainties in the global trade environment.

International crude oil prices did not have huge fluctuations in 2024, with prices ranging between USD75 and USD90 per barrel. Geopolitical risks and supply chain uncertainties offset the downward pressure on crude oil prices caused by the slowdown in global economic growth, resulting in the relatively stable crude oil prices during 2024. As a result, the relative stability of crude oil prices has influenced other petroleum-related products, including raw materials for polyester yarn products. However, due to weak market demand, the prices for yarn products were unable to fully capitalise on the price movements in raw materials, as they often lagged behind during upward cycles and fall to a larger extent during downward cycles.

International cotton prices followed a downward trend in 2024, fluctuating between USD0.80 and USD0.90 per pound for most of the time. Compared to 2023, the average international cotton prices were lower in 2024. The high global interest rate environment and economic uncertainties continued to exert pressure on international cotton prices. Domestic cotton prices in China showed little fluctuations in 2024, starting at approximately RMB15,500 per ton at the beginning of the year, gradually declining to around RMB14,500 per ton by the end of the year due to weak demand in the textile market. The Chinese government maintained its policies on cotton reserves, direct subsidies to cotton farmers, and orderly auctions of cotton reserves, with no significant policy-driven impact on domestic cotton prices.

The textile industry continued to face multiple challenges in 2024. The complex international trade environment, ongoing global supply chain adjustments, and consistently high domestic production costs exerted significant pressures on the industry. On the domestic sales front, according to data from China's National Bureau of Statistics, retail sales of clothing, footwear, and knitwear by designated large-scale enterprises reached approximately RMB1.45 trillion in 2024. This represented a year-on-year increase of about 2.9%, a significant slowdown compared to the 12.9% growth recorded in 2023. On the export front, data from China's General Administration of Customs showed that China's exports of yarn, fabrics, and textile products and apparel in 2024 were approximately USD130 billion and USD160 billion, respectively, representing year-on-year declines of about 3.3% and 3.2%, indicating continued weakness in the export market.

Management Discussion and Analysis

BUSINESS REVIEW

The sales volume of yarn products of the Group increased by 5.4% from approximately 96,330 tonnes for the year ended 31 December 2023 to approximately 101,534 tonnes for the year ended 31 December 2024. The increase in sales volume was mainly due to improvement in market conditions and a low base figure for the 2023. The low base figure in 2023 was mainly due to a longer Chinese New Year ("**CNY**") break in January 2023 in response to the market conditions back then. The production volume of yarn products of the Group slightly decreased by 1.1% from approximately 101,955 tonnes for the year ended 31 December 2023 to approximately 100,828 tonnes for the year ended 31 December 2024.

The revenue from the sales of yarn products of the Group increased by 15.8% to approximately RMB1,282 million for the year ended 31 December 2024 as compared to RMB1,107 million for the year ended 31 December 2023. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2024 were approximately RMB42.2 million and approximately RMB11.7 million, respectively.

The new workshop with a capacity of 50,000 spindles, workshop number nine located at the site of the Jiangxi Jinyuan, which was invested by the Group during 2021 and 2022 has become fully operational in late 2023. In 2024, Jiangxi Jinyuan suspended production of workshop number one for revamp evaluation. Workshop number one has a production capacity of around 60,000 spindles but it was built almost 20 years ago. The technologies employed has been outdated and the production process has been labour intensive. The replacement of production facilities of workshop number one with workshop number nine, which employees the latest production technologies and is highly automated, greatly increased the efficiency of Jiangxi Jinyuan. The overall capacity of the Group is maintained at approximately 0.76 million spindles after the replacement. The Group constantly reviews its production facilities with the aim of improving efficiency.

The Group also constantly adjusted its product portfolio in response to the rapid changing market environment. It completely ceased the production and sales of viscose and stretchable core viscose yarn products in 2024, following the scaling down of its production in 2023. The Group focused on polyester-cotton yarn products, in particular polyester-fine combed cotton yarn products during 2024. Such products have a higher entry barrier and generally generate better margins than polyester yarn products, which are highly competitive due to its low entry barrier.

In 2024, domestic sales in the PRC's textile industry improved slightly. However, the export market for textile products remains challenging due to the prevailing global economic conditions. In response to the market conditions, the Group closely monitored the market trends and adjusted its product portfolio and production arrangements accordingly. The Group also enhanced its marketing effort by increasing interactions with its customers. The Group also adopted an aggressive pricing strategy for certain mass market products, in particular polyester yarn products in order to achieve sufficient sales volume to maintain the economy of scale.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2024 was approximately RMB1,282.3 million, representing an increase of approximately RMB175.2 million, or 15.8%, as compared to last year. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2024 RMB'000		Year ended 31 December 2023 RMB'000	
Polyester yarns	**444,065**	**34.7%**	434,619	39.3%
Polyester-cotton and viscose-cotton blended yarns	**447,993**	**34.9%**	349,725	31.6%
Grey and deep grey mélange yarns and grey mélange-cotton blended yarns	**365,727**	**28.5%**	320,174	28.9%
Viscose and stretchable core viscose yarns	**–**	**–**	2,465	0.2%
Others	**24,481**	**1.9%**	62	0.0%
	1,282,266	**100.0%**	1,107,045	100.0%

The increase in the revenue of the Group for the year ended 31 December 2024 was mainly attributable to the increase in sales volume and average selling prices of the yarn products. Due to the improvement in market conditions, the sales volume increased by approximately 5.4% from approximately 96,330 tonnes for the year ended 31 December 2023 to approximately 101,534 tonnes for the year ended 31 December 2024. The average selling price of yarn products of the Group increased 9.9% from approximately RMB11,492 per tonne for the year ended 31 December 2023 to approximately RMB12,629 per tonne for the year ended 31 December 2024. The increase in sales volume was mainly due to i) improvement in market conditions; ii) the adjustment of the product mix of the Group and iii) a low base figure for 2023 resulting from a longer CNY break in 2023. The increase in the average selling price of the yarn products was mainly due to the adjustment of the product portfolio of the Group.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB11.3 million for the year ended 31 December 2023 to approximately RMB42.2 million for the year ended 31 December 2024. The gross profit margin of the Group increased from approximately 1.0% for the year ended 31 December 2023 to approximately 3.3% for the year ended 31 December 2024. The increase in gross profit was mainly due to the increase in sales volume and increase in gross profit margin. The increase in sales volume was mainly due to the improvement in market conditions. The increase in gross profit margin was mainly due to the adjustment in the product mix of the Group. The Group has adjusted its product portfolio in response to the market situation, focusing more on polyester-cotton yarn products, in particular polyester-fine combed cotton yarn products. Such products have a higher entry barrier and generally generate better margins than polyester yarn products, which are highly competitive due to its low entry barrier.

Other Income

Other income of the Group decreased from approximately RMB42.7 million for the year ended 31 December 2023 to approximately RMB38.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB4.7 million or 11.0%. The decrease in other income was mainly due to the decrease in government grant and interest income.

Management Discussion and Analysis

Other Losses

Other losses of the Group increased from approximately RMB0.3 million for the year ended 31 December 2023 to approximately RMB2.1 million for the year ended 31 December 2024, representing an increase of approximately RMB1.7 million or 5 times. The increase in other losses was mainly due to increase in net foreign exchange losses, loss on disposal of property, plant and equipment and allowance for impairment loss on trade receivables.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB23.0 million for the year ended 31 December 2023 to approximately RMB23.8 million for the year ended 31 December 2024, representing an increase of approximately RMB0.8 million or 3.5%. The increase was mainly due to the increase in sales volume of yarn products by approximately 5.4% partly offset by change in destination mix of customers. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.9% for the year ended 31 December 2024 (year ended 31 December 2023: 2.1%).

Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB50.8 million for the year ended 31 December 2023 to approximately RMB49.2 million for the year ended 31 December 2024, representing a decrease of approximately RMB1.6 million or 3.1%. The decrease in administrative expenses was mainly due to the reduction in repair and maintenance costs, as well as staff-related expenses. Administrative expenses as a percentage of revenue of the Group was approximately 3.8% for the year ended 31 December 2024 (year ended 31 December 2023: 4.6%).

Finance Costs

Finance costs of the Group decreased from approximately RMB21.4 million for the year ended 31 December 2023 to approximately RMB18.9 million for the year ended 31 December 2024, representing a decrease of approximately RMB2.5 million or 11.6%. The decrease in finance costs was mainly due to the decrease in bank borrowings and lower interest rates as the People's Bank of China has reduced the Loan Prime Rate during 2024.

Income Tax Credit

The income tax credit of the Group decreased from approximately RMB15.1 million for the year ended 31 December 2023 to approximately RMB2.1 million for the year ended 31 December 2024, representing a decrease of approximately RMB13.0 million or 86.2%. The Group's effective income tax credit rate for year ended 31 December 2024 was approximately 15.0% as compared with 36.2% for the year ended 31 December 2023. The decrease in income tax credit was mainly due to the reduction in deferred tax credit arising from the reversal of temporary differences.

Loss attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company for the year ended 31 December 2024 was approximately RMB11.7 million, as compared to loss attributable to owners of the Company of approximately RMB26.5 million for the year ended 31 December 2023. The reduction in the Group's net loss was mainly driven by an increase in gross profit, which was partially offset by a decrease in income tax credit. The net loss margin of the Group for the year ended 31 December 2024 was approximately 0.9% as compared with the net loss margin of approximately 2.4% for the year ended 31 December 2023. The decrease in the Group's net loss margin was mainly driven by an increase in gross profit, which was partially offset by a decrease in income tax credit.

Management Discussion and Analysis

Loss per Share

The basic loss per share of the Company for the year ended 31 December 2024 was approximately RMB0.94 cents as compared with basic loss per share of the Company of approximately RMB2.12 cents for the year ended 31 December 2023. The decrease in loss per share of the Company was mainly due to decrease in the net loss for the year ended 31 December 2024.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the year ended 31 December 2024, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB209.1 million (31 December 2023: RMB190.1 million), short-term time deposits of approximately RMB4.6 million (31 December 2023: Nil) and pledged bank deposits of approximately RMB57.2 million (31 December 2023: RMB64.7 million) at 31 December 2024. The Group's cash and bank deposits were mainly held in RMB.

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB. At 31 December 2024, the Group's interest-bearing borrowings amounted to approximately RMB412.7 million (31 December 2023: RMB476.2 million), RMB402.7 million (97.6%) of which (31 December 2023: RMB406.1million (85.3%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, property, plant and equipment and pledged bank deposits with a carrying value of approximately RMB433.1 million in aggregate (31 December 2023: RMB459.3 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank and other borrowings and bills payable to total assets, was approximately 34.6% at 31 December 2024 (31 December 2023: 36.7%). Net current liabilities and net assets at 31 December 2024 were approximately RMB195.9 million (31 December 2023: RMB199.3 million) and RMB676.8 million (31 December 2023: RMB688.5 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, short-term time deposits and other receivables, other borrowings and other payables (31 December 2023: cash and bank balances, other receivables, other borrowings, and other payables) which mainly exposed the Group to risks in United States Dollar and Hong Kong Dollar. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2024 were approximately RMB5.9 million (31 December 2023: RMB3.1 million) and RMB5.7 million (31 December 2023: RMB5.6 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2024.

Contingent Liabilities

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

Employees, Remuneration and Share Option Scheme

As at 31 December 2024, the Group had a total of 2,410 employees (31 December 2023: 2,422). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Management Discussion and Analysis

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2024, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

PROSPECTS

During 2024, the textile industry faced a lot of challenges. The Russia Ukraine Conflict and Gaza Conflict continued to weight on the global economy, while major developed economies struggled with high inflation. Successive interest rates hikes led to a high interest rates environment, further suppressing global demand and consumption. Other unfavourable factors such as complicated international trade environment, restructuring of global supply chain and high domestic production cost have contributed to the weakness in the export market for the textile products of the PRC. The PRC government has implemented various policies to stimulate the economy. While domestic sales of the PRC's textile industry showed some sign of recovery, the growth momentum remained weak and there is a lack of optimism in the market.

In January 2025, Israel and Hamas reached an agreement on a hostage-and-prisoners exchange and an armistice to end the Gaza Conflict. However, following the conclusion of first phase of the ceasefire on 1 March 2025, negotiations for the second phase of the ceasefire have faced challenges, leading to uncertainty over the continuation of ceasefire. In the meantime, unrest and uncertainties on other parts of the Middle East, like Syria remains. In Europe, the Russia-Ukraine Conflict has lasted for three years and fortunately there appears to be some positive signs for peace after Donald Trump took office as the President of the US in January 2025. The US and Russian delegations met in Saudi Arabia in February 2025 for negotiations on the war in Ukraine. Since then, the US has been pushing hard on both Ukraine and Russia to end the war.

As expected by the market, the US interest rates peaked in 2024 and the US Federal Reserve cut the federal funds rate by 0.5, 0.25 and 0.25 percent in September, November and December 2024 respectively. The rate cuts provided some relief for the high-interest rate environment. However, strong economic data in the US caused the Federal Reserve to pause cutting the federal funds rate in January 2025. Furthermore, the implementation of 25% additional tariff on imports from Canada and Mexico and a 10% additional tariff on imports from China by the Trump administration in February 2025 has sparked fear for inflation in the US. The above factors have exacerbated the economic uncertainty.

Looking ahead into 2025, with the implementation of stimulating policies by the PRC government, it is expected that the PRC economy will maintain its resilience and continue to grow. However, the export market will remain weak under the current macro environment and the domestic market is likely to remain uncertain due to insufficient consumer confidence.

The Group considers the future of the textile market to be challenging. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group remains committed to emphasizing industrial safety and improving efficiency in its production process through increased automation. By leveraging the benefits of higher level of automation and the economies of scale, the Group believes it is well-positioned to capitalize on any turnaround in the textile industry.

Report of the Directors

The Directors are pleased to present their report and the consolidated audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the business of manufacturing and trading of yarns products and related raw materials. Details of the principal activities of the principal subsidiaries of the Company are set out in Note 43 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2024 and the financial position of the Group and the Company at that date are set out in the consolidated financial statements on pages 39 to 41 of this annual report and Note 41 to the consolidated financial statements.

BUSINESS REVIEW

Business Review and Future Development

Please refer to the "Chairman's Statement" and the "Business Review" and "Prospects" sections of the "Management Discussion and Analysis" of this annual report for details.

Principal Risks and Uncertainties

Please refer to the "Chairman's Statement", the "Market Overview" section of the "Management Discussion and Analysis", Note 2 and Note 6 to the consolidated financial statements of this annual report for details.

Events after the Reporting Period

The Company was unaware of any significant event since the end of the financial year ended 31 December 2024 and up to the date of this annual report that had a significant impact on the Group.

Business Analysis using Financial Key Performance Indicators

Please refer to the "Financial Review" section of the "Management Discussion and Analysis" of this annual report for details.

Compliance with Laws and Regulations

For the year ended 31 December 2024 and up to the date of this annual report, the Company was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group.

Environmental Policies and Performance

The Group is committed to energy saving and environmental protection. The Group has complied with the relevant environmental rules and regulations and possesses all the required approval from the relevant Chinese regulators. Jinyuan Textile Co. Ltd. Jiangxi ("**Jiangxi Jinyuan**") and Jiangxi Huachun Color Spinning Technology Development Co., Ltd, ("**Huachun**"), both being subsidiaries of the Company, have obtained the ISO 14001 certificate on environmental management. Jiangxi Jinyuan has over 25,000 square metres of green areas within its factory premises and it has constructed a reservoir to collect rain water for use in the workshop. Jiangxi Jinyuan and Huachun have installed solar panels on the workshop rooftop to provide electricity for workshop lighting. The environment, social and governance ("**ESG**") report as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") will be issued separately by the Company.

Report of the Directors

Relationship with Employees
The Directors consider the Group has maintained a harmonious relationship with its employees.

Please refer to the "Employees, Remuneration and Share Option Scheme" section of the "Management Discussion and Analysis" of this annual report for details.

Relationship with Customers and Suppliers
The Group has a large customer base. As at 31 December 2024, the Group had over 1,900 customers. The Group does not rely on a few large customers. During the year ended 31 December 2024, sales to the Group's five largest customers accounted for 17.5% of the total sales of the Group for 2024 and sales to the largest customer included therein accounted for 6.0% of the total sales of the Group for the same year.

Due to the nature of the raw materials and large quantities required by the Group, there are not too many raw materials suppliers with sufficient scale that could cater for the requirement of the Group. As at 31 December 2024, the Group had over 50 major suppliers of raw materials, production equipment and production accessories. Purchases from the Group's five largest suppliers accounted for 31.8% of the total purchases of the Group for the year ended 31 December 2024 and purchases from the Group's largest supplier included therein accounted for 12.5% of the total purchases of the Group for the same year. The Directors consider the Group has maintained a harmonious business relationship with its suppliers.

The Group communicates regularly with its customers and suppliers and carries out reciprocal site visits to understand each other's requirements and collect market intelligence.

None of the Directors or any of their associates or any substantial Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers at any time during the year.

DIVIDEND

The Board has not recommended the payment of final dividend in respect of the year ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years (including the year ended 31 December 2024) is set out on page 109 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association adopted on 6 June 2024 and as amended from time to time (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company (the "**Shares**") during the year ended 31 December 2024.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB72 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2024, the Group did not make any charitable contribution.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Director:
Mr. Zheng Yongxiang

Non-Executive Director:
Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors:
Mr. Xu Yiliang
Mr. Wong Tak Shing
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

In compliance with Rule 3.09D of the Listing Rules, Ms. Chow Sin Yee Caroline, who was appointed as an independent non-executive Director with effect from 6 December 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 6 December 2024. Ms. Chow Sin Yee Caroline has confirmed that she understood her obligations as a director of the Company.

Pursuant to Articles 83(3) of the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

As such, Ms. Chow Sin Yee Caroline will retire as a Director at the forthcoming annual general meeting of the Company to be held on 5 June 2025 (the "**Annual General Meeting**") and will offer herself for re-election.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 84 of the Articles, all the Directors who retire at the Annual General Meeting, being eligible, will offer themselves for re-election.

As such, Mr. Zheng Hong and Mr. Xu Yilang will retire from office as Directors by rotation at the Annual General Meeting and will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 29 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Zheng Yongxiang, the executive Director, and Mr. Zheng Hong, the non-executive Director, has respectively entered into a service contract with the Company for a term of three years commencing from 3 December 2023 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Ms. Chow Sin Yee Caroline, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 6 December 2024. Mr. Wong Tak Shing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 27 November 2023. Mr. Xu Yiliang, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 20 October 2022. These appointments may be terminated by not less than one month's prior notice in writing served by the Company. The details of the remuneration of each of the Directors are disclosed in Note 16 to the consolidated financial statements. No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Directors are subject to retirement by rotation at least once every three years as required by the Articles.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interest or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), are set out below:

Name of Director	Nature of Interest	Position	Number of Shares	Approximate percentage of shareholding in the Company[3]
Mr. Zheng Hong	Interest of a controlled corporation	Long Position	514,305,000[1]	41.07%
Mr. Zheng Yongxiang	Beneficial Owner	Long Position	147,577,200	11.78%
Mr. Zheng Yongxiang	Interest of a controlled corporation	Long Position	75,092,000[2]	6.00%

Notes:

(1) These Shares are held by Popular Trend Holdings Limited ("**Popular Trend**"), the entire issued share capital of which is owned by Mr. Zheng Hong and thus Mr. Zheng Hong is deemed to be interested in all the Shares held by Popular Trend under the SFO.

(2) These Shares are held by Marvellous Link Limited ("**Marvellous Link**"), the entire issued share capital of which is owned by Mr. Zheng Yongxiang and thus Mr. Zheng Yongxiang is deemed to be interested in all the Shares held by Marvellous Link under the SFO.

(3) Based on 1,252,350,000 shares of the Company in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors (including their spouse and children under 18 years of age) had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to a resolution of the Shareholders passed on 25 June 2021, the Company has adopted a share option scheme (the "**Scheme**"). The purpose of the Scheme is to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme was conditionally adopted on 25 June 2021 and took effect on 29 June 2021 upon satisfaction of the relevant conditions, and shall expire on 24 June 2031, being the date immediately prior to the 10th anniversary of the adoption date of the Scheme. The remaining life of the Scheme is approximately 6.2 years as at the date of this annual report. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full time or part time employee (including senior executives, officers and managers), directors (including executive, non-executive and independent non-executive directors) and any consultant(s) of the Company or any of its subsidiaries who, as determined by the Board, have contributed or will contribute to the growth and development of the Group.

The total number of Shares available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in at the date of approval of the Scheme, being 125,235,000 Shares, representing approximately 10% of the issued share capital of the Company as at the adoption date of the Scheme. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specified by the Company.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company (as defined under the Listing Rules), or to any of their respective associates (as defined under the Listing Rules), are required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates of the Company, (i) representing in aggregate more than 0.1%, or such other percentage as may from time to time provided under the Listing Rules, of the Shares in issue on the date of grant; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets at the date of each grant, are subject to issue of a circular and Shareholders' approval in general meeting by way of a poll.

The offer of a grant of share options may be accepted by a participant not later than 10 business days after the date of offer, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The subscription price for Shares under the Scheme shall be a price determined by the Board in its absolute discretion, save such price will not be less than the higher of:

i. the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the grant, and

ii. the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

The exercise period for the share options granted is determined by the Board in its absolute discretion, which may commence from the date of acceptance of the offer for the grant of share options but in any event shall not exceed 10 years from the date of grant.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until (but not including) 25 June 2031.

No option has been granted under the Scheme since the adoption of the Scheme and up to the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2024, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than a Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Position	Number of Shares	Approximate percentage of shareholding in the Company[3]
Popular Trend Holdings Limited	Beneficial Owner	Long Position	514,305,000[1]	41.07%
Marvellous Link Limited	Beneficial Owner	Long Position	75,092,000[2]	6.00%

Notes:

(1) Popular Trend is wholly owned by Mr. Zheng Hong.

(2) Marvellous Link is wholly owned by Mr. Zheng Yongxiang.

(3) Based on 1,252,350,000 shares of the Company in issue as at 31 December 2024.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling Shareholders during the year ended 31 December 2024.

NON-COMPETE UNDERTAKINGS

Each of the controlling Shareholders, namely Popular Trend and Mr. Zheng Hong, has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 3 December 2012. The independent non-executive Directors have reviewed the status of the compliance and confirmed that all of these non-compete undertakings have been complied with by the controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2024 and up to and including the date of this annual report.

PENSION SCHEME

The Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations and the existing policy requirements of the PRC and Hong Kong government.

CONNECTED TRANSACTIONS

Save as disclosed below, no connected transaction was entered into or in existence for the year ended 31 December 2024.

Exempt Connected Transactions

For the year ended 31 December 2024, the Group has entered into short term lease agreement with the Executive Director in respect of an office premises and a car park space, the amount of lease payment was approximately RMB372,000.

The above mentioned transaction falls under Chapter 14A.76(1)(c) of the Listing Rules as a de minimis transaction as it is conducted on normal commercial terms or better and all the percentage ratios (other than the profit ratio) are less than 5% and the total consideration is less than HK$3,000,000. Such transactions constituted fully exempt connected transactions and thus were fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, none of other related party transactions as set out in Note 38 to the consolidated financial statements constitute non-exempt connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Articles provide that for the time being acting in relation to any of the affairs of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisted at the end of or at any time during the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders, eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 2 June 2025 to Thursday, 5 June 2025 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 May 2025.

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by RSM Hong Kong who shall retire at the forthcoming Annual General Meeting. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint RSM Hong Kong as auditor of the Company.

On behalf of the Board
Zheng Hong
Chairman

Hong Kong, 27 March 2025

Corporate Governance Report

The Board hereby presents this Corporate Governance Report for the year ended 31 December 2024.

A. CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2024, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

In respect of code provision D.2.5 of Part 2 the CG Code, the Company has not set up an internal audit ("**IA**") function. Having considered the size and complexity of the operations of the Group and the potential cost involved in setting up an IA function, the Company considers the existing organisation structure and the close supervision of the executive management could provide sufficient internal control and risk management for the Group. The Audit Committee under the Board will review the effectiveness of the internal control and risk management of the Group. The Board will conduct a review for the need of an IA function on an annual basis.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct governing the Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 2024.

C. BOARD OF DIRECTORS

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Composition

The Board currently comprises one executive Director, one non-executive Director and three independent non-executive Directors. The Board has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with the independence of the independent non-executive Directors. Under the Articles, every Director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the Shareholders. All independent non-executive Directors are appointed for a specific term.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Mr. Wong Tak Shing, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Each of Mr. Zheng Yongxiang, the executive Director, and Mr. Zheng Hong, the non-executive Director, has respectively entered into a service contract with the Company for a term of three years commencing from 3 December 2023 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Mr. Wong Tak Shing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 27 November 2023. Mr. Xu Yiliang, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 20 October 2022. Ms. Chow Sin Yee Caroline, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 6 December 2024. These appointments may be terminated by not less than one month's prior notice in writing served by the Company.

The Board comprises the following Directors:

Executive Director:
Mr. Zheng Yongxiang

Non-Executive Director:
Mr. Zheng Hong *(Chairman)*

Independent Non-Executive Directors:
Mr. Xu Yiliang
Mr. Wong Tak Shing
Ms. Chow Sin Yee Caroline (appointed with effect from 6 December 2024)
Mr. Li Guoxing (resigned with effect from 26 March 2025)

Chairman and Chief Executive Officer

The Company has appointed Mr. Zheng Hong as the Chairman and Mr. Zheng Yongxiang has assumed the role of the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Meeting Attendance
The attendance of individual members of the Board at Board meetings, meetings of the Board committees and general meetings during the year ended 31 December 2024, as well as the number of such meetings held, are set out as follows:

	Meetings attended/held				
	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Number of meetings	4	2	2	2	1
Executive Director:					
Mr. Zheng Yongxiang	4/4	–	–	–	1/1
Non-Executive Director:					
Mr. Zheng Hong	4/4	2/2	2/2	–	1/1
Independent Non-Executive Directors:					
Mr. Xu Yiliang	4/4	2/2	2/2	2/2	1/1
Mr. Wong Tak Shing	4/4	2/2	2/2	2/2	1/1
Ms. Chow Sin Yee Caroline (appointed on 6 December 2024)	0/4	0/2	0/2	0/2	0/1
Mr. Li Guoxing (resigned on 26 March 2025)	4/4	2/2	2/2	2/2	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Director during the year.

Board Committees
The Board has established the remuneration committee, nomination committee and audit committee (collectively, "**Board Committees**") with defined terms of reference. The terms of reference of the Board Committees are posted on the website of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee
A remuneration committee was established by the Company on 3 December 2011 (the "**Remuneration Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to the Directors and members of senior management of the Group. Mr. Xu Yiliang, an independent non-executive Director, is the chairman of the Remuneration Committee. The other members are Mr. Wong Tak Shing, Ms. Chow Sin Yee Caroline (appointed on 6 December 2024) and Mr. Li Guoxing (resigned on 26 March 2025), who are also independent non-executive Directors, and Mr. Zheng Hong, the non-executive Director.

During the year ended 31 December 2024, two meetings were held by the Remuneration Committee. The Remuneration Committee reviewed and approved the remuneration packages of the Directors and senior management. The Remuneration Committee also reviewed and approved the remuneration packages of Ms. Chow Sin Yee Caroline, an independent non-executive Directors appointed on 6 December 2024.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2024 is set out below:

Remuneration Bands (HK$)	Number of persons
Nil to 1,000,000	3

Further particulars regarding the five highest paid employees and the Directors' remuneration as required to be disclosed pursuant to Appendix D 2A of the Listing Rules are set out in Notes 15 and 16 to the consolidated financial statements. For the year ended 31 December 2024, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors of the Company has waived any emoluments for the year ended 31 December 2024.

Nomination Committee

A nomination committee was established by the Company on 3 December 2011 (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and members of senior management of the Group. The Nomination Committee comprises all the independent non-executive Directors, namely, Mr. Wong Tak Shing, Mr. Xu Yiliang, Ms. Chow Sin Yee Caroline (appointed on 6 December 2024) and Mr. Li Guoxing (resigned on 26 March 2025) and the non-executive Director, Mr. Zheng Hong. Mr. Zheng Hong is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee can be obtained from the Company upon request.

During the year ended 31 December 2024, two meetings were held by the Nomination Committee. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all the independent non-executive Directors. The Nomination Committee reviewed the qualifications of Ms. Chow Sin Yee Caroline and recommended her appointment as an independent non-executive Director.

Audit Committee

An audit committee was established by the Company on 3 December 2011 (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process, risk management and internal control systems. The Audit Committee comprises all the independent non-executive Directors, namely, Mr. Xu Yiliang, Mr. Wong Tak Shing, Ms. Chow Sin Yee Caroline (appointed on 6 December 2024) and Mr. Li Guoxing (resigned on 26 March 2025). Mr. Wong Tak Shing is the chairman of the Audit Committee.

During the year ended 31 December 2024, the Audit Committee had two meetings and performed the following work:

- Review of the annual financial results for the year ended 31 December 2023 and interim financial results for the six months ended 30 June 2024 and review of the accounting principles and practices adopted by the Group;
- Meeting and discussion with the external auditor on matters arising from the annual audit of the financial statements of the Group;
- Review of the report prepared by the external auditor on matters in relation to the annual audit of the financial statements of the Group;
- Review and discussion with the external auditor on the internal control systems of the Group;
- Review of the independence of RSM Hong Kong.

The Group's audited consolidated results for the year ended 31 December 2024 had been reviewed by the Audit Committee.

Training for Directors

During the year ended 31 December 2024, the Directors participated in the following trainings:

	Type of training
Executive Director:	
Mr. Zheng Yongxiang	A, B
Non-Executive Director:	
Mr. Zheng Hong	B
Independent Non-Executive Directors:	
Mr. Xu Yilioang	B
Mr. Wong Tak Shing	C
Ms. Chow Sin Yee Caroline (appointed on 6 December 2024)	D
Mr. Li Guoxing (resigned 26 March 2025)	B, C

A: attending in house training sessions.

B: reading newspapers, journals and updates distributed by the Group relating to economy, general business and regulatory matters.

C: attending training sessions required by the relevant professional bodies of which he is a member.

D: attending induction training for directors provided by a Law firm.

Company Secretary

Mr. Cheung Chi Fai Frank, the company secretary of the Company (the "**Company Secretary**"), is a full time employee of the Group. During the year ended 31 December 2024, Mr. Cheung had complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy on 23 August 2013. The Company recognises and embraces the benefits of diversity of its Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The Board will consider setting measurable objectives for achieving diversity on the Board at appropriate time.

As at the date of this report, the diversity profile of the Board was summarized as follows:

	Mr. Zheng Hong	**Mr. Zheng Yongxiang**	**Mr. Xu Yiliang**	**Mr. Wong Tak Shing**	**Ms. Chow Sin Yee Caroline (appointed on 6 December 2024)**
Gender	Male	Male	Male	Male	Female
Designation	Non-Executive Director	Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Age	49	56	64	62	57
Length of Service (up to the date of this report)	14	14	8.5	1.4	0.4
Skill, knowledge and professional experience					
– Accounting and finance				✓	
– Banking and capital market			✓		
– Business management	✓	✓	✓		✓
– Legal/Regulatory				✓	
– Related industry knowledge/ experience	✓	✓			
– Strategic planning and risk management	✓	✓	✓		
– Intellectual properties					✓
– Information technology					✓
– Marketing and brand management					✓

Dividend Policy

The Company has adopted a dividend policy under which, in proposing dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and strike a balance between future growth and rewarding the Shareholders. The Company does not have any pre-determined payout ratio. The Board shall consider the following factors in proposing dividends: financial results and positions; cash flow position; gearing ratio, credit facilities and indebtedness level; business conditions and strategies; future operations and income; capital requirements and budgets; interests of the Shareholders; any restrictions on payment of dividends; and any other factor that the Board deems relevant. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

D. FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial Reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 as at 31 December 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

   (i) The Group can successfully obtain its bankers' approval for rollover of its short-term bank borrowings. Up to the date of this annual report, certain bankers renewed or agreed to renew the Group's bank borrowings amounting to approximately RMB45,000,000 currently included in current liabilities at 31 December 2024.

   (ii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.

(b) The Group is closely monitoring the latest developments and will continue to assess the impact of any change in government policy, global financial market, economy and business environment on the Group's operations from time to time and adjust its production and sales strategies for its business to generate sufficient operating cash flows.

Having taken into account the above, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The responsibilities of the external auditor with respect to the audit of the consolidated financial statements are set out in the Independent Auditor's Report on pages 32 to 38.

Auditor's Remuneration

During the year ended 31 December 2024, the Group has incurred auditor's remuneration in respect of audit and non-audit services of approximately RMB1,196,000 and RMB261,000, respectively, which was paid or payable to the Company's auditor, RSM Hong Kong.

Risk Management and Internal Control

The Group's risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The systems are implemented to minimise risks to which the Group is exposed and can provide reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board acknowledges that it is responsible for maintaining adequate systems of risk management and internal control for the Group and the Directors had conducted annual review of their effectiveness during the year through the Audit Committee. Such review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board is satisfied that the Group's risk management and internal control systems, including financial, operational and compliance controls and risk management functions as appropriate to the Group, have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed. The Board considers the risk management and internal control systems effective and adequate.

E. COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of effective communication with the Shareholders and investors. The Company communicates with the Shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details of proposed resolutions to be sent to the Shareholders no less than 21 clear days before the meetings. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

The Board always ensures that Shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the Shareholders to make any enquiries and concerns to the Board. Shareholders and investors may also at any time send their enquiries and concerns to the Board by addressing to the Company Secretary by post or by email. The contact details are set out in the "Corporate Information" section of this annual report.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward Proposals at General Meetings

Pursuant to Article 58 of the Articles, any one or more Member(s) (as defined therein) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Constitutional Documents

During the year ended 31 December 2024, the Board proposed to amend the then articles of association of the Company and to adopt the second amended and restated articles of association of the Company in order to, among other things, (i) updating and bringing the then articles of association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023; (ii) facilitating the holding of hybrid or electronic shareholders meetings and (iii) making other consequential and housekeeping changes. A special resolution of the Shareholders was passed at the 2024 AGM on 6 June 2024 to approve the amendments to the then articles of association of the Company and the adoption of the second amended and restated articles of association of the Company with effect from the same date.

For the summary of the major changes brought by and the details of the amendments to the then articles of association of the Company, please refer to the announcement of the Company dated 7 May 2024 and the circular of the Company dated 13 May 2024.

The second amended and restated articles of association of the Company was published on the Company's website (www.chinaweavingmaterials.com) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Directors and Senior Management

EXECUTIVE DIRECTOR

Zheng Yongxiang (鄭永祥), aged 56, was appointed as an executive Director on 4 May 2011. He is also a director of most of the subsidiaries of the Group. Mr. Zheng Yongxiang has over 23 years of experience in the textile industry. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Mr. Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal Peoples' Government in 2008 and was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 Years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. He was the Chairman of Federation of Industry and Commerce of Fengxin County, Jiangxi Province (江西省奉新縣工商業聯合會) from 2012 to 2015. Mr. Zheng Yongxiang was a representative of Jiangi Fengxin County People's Congress (江西省奉新縣人民代表大會) from 2015 to 2022. Mr. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Mr. Zheng Yongxiang is the elder brother of Mr. Zheng Hong, the chairman and the non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Zheng Hong (鄭洪), aged 49, was appointed as the chairman of the Company and an executive Director on 4 May 2011. Mr. Zheng Hong was re-designated as a non-executive Director on 5 December 2019. He is also a director of certain subsidiaries of the Group. He has over 24 years of experience in the textile industry. He is one of the founders of the Group and was a director of Jiangxi Jinyuan, a subsidiary of the Group, from 2005 to 2017. He is the vice president (副會長) of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會), the vice supervisor (副主任) of the cotton trading committee of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會棉花貿易專業委員會) and a committee member of the Chinese Textile Products Technical Committee (中國棉紡織品技術委員會). Mr. Zheng Hong was awarded as the China Textile Outstanding Labour (全國紡織工業勞動模範) in 2010. He was elected as one of the Top Ten Outstanding Young Entrepreneurs of the Textile Industry in China (全國棉紡織產業十大傑出青年企業家) and the National Outstanding Young Textile Entrepreneur (全國優秀紡織青年企業家) in 2014 and 2017 respectively. He was awarded an MBA degree by Fudan University (復旦大學) in 2014 and he completed the Commercial Enterprises Information Strategy and Knowledge Management CEO Advanced Programme (工商企業信息戰略與知識管理總裁高級研修班) at Tsinghua University (清華大學) in 2005. Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang, the executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Yiliang (許貽良), aged 64, was appointed as an independent non-executive Director on 20 October 2016. Mr. Xu has over 40 years of experience in banking and finance. Mr. Xu has held various positions in the Fengxin County Branch of the People's Bank of China and various sales and management positions in the Industrial and Commercial Bank of China Limited, including Credit Analyst, Vice Section Head, Section Head, Vice President and President of the Fengxin County and Jingan County Branch and Credit Centre Supervisor of the Yichun City Branch from 1982 to 2016. Mr. Xu graduated with a diploma from the Academy of Banking in Jiangxi (江西省銀行學校) in 1982, a professional diploma from the City Finance School of the Staff University of the People's Bank of China in Jiangxi (江西省人民銀行職工大學) in 1987 and a degree in Economic Management from the Distance Learning Academy of the Central Parties' School (中央黨校函授學院) in 2001. He also obtained the qualifications of Senior Economist (高級經濟師) in 2012.

Directors and Senior Management

Wong Tak Shing (黃德盛), aged 62, was appointed as an independent non-executive Director on 27 November 2023. Mr. Wong has over 30 years of experience in accounting, corporate finance, personnel and administration. Mr. Wong is currently an independent non-executive Director of Beijing Chunlizhengda Medical Instruments Co., Ltd. (Stock Code 1858), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Wong was previously an executive director of China Ocean Fishing Holdings Limited (Stock Code: 8047), an independent non-executive director of Pa Shun International Holdings Limited (Stock Code: 0574), and Digital Domain Holdings Limited (Stock Code: 0547), these companies are listed on the Stock Exchange. He was previously an independent non-executive director of China Digital Culture (Group) Limited (Stock Code: 8175), a company delisted from the Stock Exchange in May 2023.

From March 2011 to August 2019, Mr. Wong worked for Greentech Technology International Limited (Stock code: 195) with his last position as regional chief financial officer. From January 2010 to February 2011, Mr. Wong was the chief financial officer of Global Energy Resources International Group Ltd. (Stock code 8192). From April 2006 to May 2007, Mr. Wong was an executive director, the chief financial officer and company secretary of China Ocean Fishing Holdings Limited (Stock Code: 8047). Mr. Wong was a consultant of Chu Lung Hai, Jimmy & Co. CPA from January 2004 to April 2006. From March 2000 to November 2003, Mr. Wong was the company secretary and vice president of Sun Media Group Holdings Limited Ltd. (Stock code 307). From July 1991 to April 1999, he worked for Asia Television Limited with his last position as controller personnel and administration. From January 1990 to June 1991, he worked for Jademan Enterprises Limited with his last position as accounting manager. From January 1989 to June 1989, he was a semi-senior accountant in Deloitte Haskins & Sells (subsequently renamed as Deloitte Touche Tohmatsu) in Hong Kong. From November 1985 to January 1988, he worked in PriceWaterhouse (subsequently renamed as PriceWaterhouseCoopers) in Hong Kong as an audit assistant.

Mr. Wong graduated from the University of New England, Australia in 1989 with a Diploma in Financial Management and from the University of Southampton, U.K. with a bachelor's degree of Science in the Social Sciences in Business Economics and Accounting in 1985. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Chow Sin Yee Caroline (周倩儀), aged 57, was appointed as an independent non-executive Director on 6 December 2024. Ms. Chow has over 29 years of marketing and business development experience in Fast Moving Consumer Goods ("**FMCG**"), digital music entertainment and technology industries. Ms. Chow has been a director of WOW Music Asia Limited since 2017, and is in charge of digital entertainment acquisitions and project management in Asia. Ms. Chow is also a director of IFPI (Hong Kong Group) Limited, the local association of International Federation of the Phonographic Industry ("**IFPI**") and Phonographic Performance (South East Asia) Limited. From 2013 to 2016, Ms. Chow was the Regional Entertainment Relations Director of Gibson Brands Inc., in charge of artists' relations and brands partnerships management. From 2003 to 2013, Ms. Chow served as the Regional Digital Director of EMI Music Group in Asia and closed major digital music license deals with clients including itunes, Spotify, Google China, Baidu and Tencent in China. From 2000 to 2003, she was the Vice President, Business Development of Cellcast (Asia) Limited, a subsidiary of e-Lux Corporation (JASDAQ: 6811), in charge of digital music business development in Hong Kong, Taiwan and China. From 1994 to 2000, she held managerial positions in various international FMCG companies.

Ms. Chow graduated from the University of Queensland in 1988 with a Bachelor of Arts degree (Economics/Psychology). She furthered her studies at the Macquarie University of Australia and earned a Master of Management (Technology) degree in 2002.

Directors and Senior Management

SENIOR MANAGEMENT

Liu Weimin (劉偉民), aged 55, is a deputy general manager of Jiangxi Jinyuan. Mr. Liu joined the Group in 2005 and is responsible for production technology management. He has over 34 years of experience in the textile industry. Prior to joining Jiangxi Jinyuan, Mr. Liu served as the head of production department in Fujian Mawei Development Zone Chuanlong Textile Company Limited (福建省馬尾開發區川隆紡織有限公司) from 1990 to 1993. From 1993 to 1995, he served as the head of production department of Fujian Jingwei Group Company Limited (福建經緯集團有限公司). From 1995 to 2004, he served as the factory manager and chief engineer of Jinjiang Fuxin Textile Company Limited (晉江福鑫紡織有限公司). Mr. Liu completed the internal auditor training in 2011 provided by Nan Chang Sino Enterprise Management Consulting Centre according to the ISO 9001: 2008 and GB/T24001–2004 (ISO14001:2004) Standard.

Cheung Chi Fai Frank (張志輝), aged 62, was appointed as the Company Secretary and chief financial officer of the Company in May 2011. He is also an independent non-executive director of Continental Holdings Limited (stock code: 513), a company listed in Hong Kong. He has over 33 years' experience in accounting, finance and business management. He obtained an MBA from the University of Technology, Sydney in 1995 and a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1985. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was an independent non-executive director of K.H. Group Holdings Limited (stock code: 1557), a company listed in Hong Kong, from March 2016 to August 2018. He was a part-time tutor at the Open University of Hong Kong from March 2009 to July 2011. He was an executive director of Sun Innovation Holdings Limited (subsequently changed name to Digital Domain Holdings Limited, stock code: 547), a company listed in Hong Kong, from 2004 to 2007. He also acted as the chief financial officer of Sun Innovation Holdings Limited from 2007 to 2008. He was an independent director of LJ International Inc. (NASDAQ: JADE) from June to October 2007, a director of e-Lux (Hong Kong) Company Limited, a subsidiary of e-Lux Corporation (JASDAQ: 6811), from 2001 to 2003, in charge of the telecommunications value added services in Hong Kong, Taiwan and the PRC. He was the group financial controller and a director of New Media Corporation, a subsidiary of e-New Media Company Limited (stock code: 128), a company listed in Hong Kong, from 1995 to 1999 and 1999 to 2000, respectively.

Zheng Linbin (鄭霖鑌), aged 35, was appointed the President of the ESG department of the Group in 2024. He is also the general manager of Huachun. Mr. Zheng joined Huachun in 2013 and worked in various department including, procurement, production and administration. Mr. Zheng graduated from the Georgia State University with a Bachelor of Business Administration degree in 2012. Mr. Zheng is the nephew of Mr. Zheng Hong, the Chairman and non-executive director of the Company and Mr. Zheng Yongxiang, the executive director of the Company.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Weaving Materials Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 39 to 108, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 as at 31 December 2024. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, the key audit matters we identified are:

1. Impairment assessment of property, plant and equipment and right-of-use assets

2. Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and right-of-use assets *Refer to Notes 19 and 20 to the consolidated financial statements* In view of the unfavorable financial performance of Jinyuan Textile Co., Ltd., Jiangxi ("**Jiangxi Jinyuan**"), a subsidiary of the Company engaging in manufacturing and trading of yarns, management considered there were impairment indicators and performed an assessment of the property, plant and equipment and right-of-use assets pertaining to the cash-generating unit ("**CGU**") of operations of Jiangxi Jinyuan as at 31 December 2024 to determine the recoverable amount of the CGU to which the assets belong based on the value in use of the CGU. Management has engaged an independent external valuer to assist in determining the value in use of the CGU. The impairment assessment is a judgemental process, requiring estimates in respect of the forecast future cash flows associated with the CGU, including the growth rates for revenue and costs, and the discount rate.	Our procedures included: – Understanding management's process of impairment assessment of property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; – Understanding and evaluating management's control procedures in relation to the impairment assessment; – Evaluating the expertise and independence of the external valuer; – Challenging the reasonableness of management's key assumptions underlying the cash flow forecasts in the valuation model, with reference to the historical budgets and performance of the CGU and the reasons for any deviations, our understanding of the business and independent market data;

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and right-of-use assets (Continued) *Refer to Notes 19 and 20 to the consolidated financial statements* (Continued) Management has concluded that there is no impairment loss on property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan during the year ended 31 December 2024. As at 31 December 2024, the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan were approximately RMB478,682,000 and RMB27,318,000 respectively.	 Our procedures included (Continued): – Working with valuation specialists to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model, and the reasonableness of the components comprising the discount rate compared to independent market data; and – Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Note 21 to the consolidated financial statements As at 31 December 2024, included in the Group's consolidated statement of financial position was goodwill with carrying amount of approximately RMB20,617,000 arising from the acquisition of 江西華春色紡科技發展有限公司 (for identification purpose, Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**")). Management is required to undertake goodwill impairment review at least annually or whenever there is an impairment indicator. The recoverable amount of the CGU to which the goodwill is allocated is based on the value in use of the CGU. Management has engaged an independent external valuer to assist in determining the value in use of the CGU. The impairment assessment is a judgemental process, requiring estimates in respect of the forecast future cash flows associated with the CGU, including the growth rate for revenue and costs, and the discount rate. Management has concluded that there is no impairment in respect of the goodwill allocated to the CGU as the CGU's recoverable amount is higher than its carrying amount.	Our procedures included: – Understanding management's process of impairment assessment of goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; – Understanding and evaluating management's control procedures in relation to the impairment assessment; – Evaluating the expertise and independence of the external valuer; – Challenging the reasonableness of management's key assumptions underlying the cash flow forecasts in the valuation model, with reference to the historical budgets and performance of the CGU and the reasons for any deviations, our understanding of the business and independent market data; – Working with valuation specialists to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model, and the reasonableness of the components comprising the discount rate compared to independent market data; and – Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants

27 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Revenue	9	**1,282,266**	1,107,045
Cost of sales		**(1,240,061)**	(1,095,782)
Gross profit		**42,205**	11,263
Other income	10	**38,029**	42,742
Other losses	11	**(2,069)**	(348)
Distribution and selling expenses		**(23,824)**	(23,023)
Administrative expenses		**(49,246)**	(50,836)
Profit/(Loss) from operations		**5,095**	(20,202)
Finance costs	12	**(18,912)**	(21,396)
Loss before tax from operations		**(13,817)**	(41,598)
Income tax credit	13	**2,076**	15,075
Loss and total comprehensive expense for the year	14	**(11,741)**	(26,523)
Loss per share			
– Basic	18	**(RMB0.94) cents**	(RMB2.12) cents
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	19	**849,007**	924,955
Right-of-use assets	20	**39,485**	41,101
Deposits on acquisition of property, plant and equipment		**165**	590
Goodwill	21	**20,617**	20,617
		909,274	987,263
Current assets			
Inventories	22	**193,141**	224,222
Trade and other receivables	23	**20,897**	31,340
Bills receivable	24	**3,780**	2,500
Pledged bank deposits	25	**57,164**	64,654
Short-term time deposits	25	**4,623**	–
Cash and bank balances	25	**209,091**	190,068
		488,696	512,784
Current liabilities			
Trade and other payables	26	**205,524**	219,944
Derivative financial instruments	27	**96**	–
Contract liabilities	28	**4,740**	10,991
Bills payable	29	**71,264**	74,754
Deferred income	30	**264**	264
Bank and other borrowings	31	**402,732**	406,092
		684,620	712,045
Net current liabilities		**(195,924)**	(199,261)
Total assets less current liabilities		**713,350**	788,002

Consolidated Statement of Financial Position (Continued)

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Deferred income	30	**5,774**	6,038
Bank and other borrowings	31	**10,000**	70,071
Deferred tax liabilities	32	**20,784**	23,360
		36,558	99,469
Net assets		**676,792**	688,533
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	33	**101,989**	101,989
Reserves		**574,803**	586,544
Total equity		**676,792**	688,533

Approved by the Board of Directors on 27 March 2025 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000 (Note 42(b)(i))	PRC statutory reserves RMB'000 (Note 42(b)(ii))	Special reserve RMB'000 (Note 42(b)(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2023	101,989	53,074	176,265	148,739	234,989	715,056
Loss and total comprehensive expense for the year	–	–	–	–	(26,523)	(26,523)
At 31 December 2023 and 1 January 2024	101,989	53,074	176,265	148,739	208,466	688,533
Loss and total comprehensive expense for the year	–	–	–	–	(11,741)	(11,741)
Transfer	–	–	1,053	–	(1,053)	–
At 31 December 2024	**101,989**	**53,074**	**177,318**	**148,739**	**195,672**	**676,792**

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(13,817)**	(41,598)
Adjustments for:		
Amortisation of deferred income	**(264)**	(264)
Depreciation of property, plant and equipment	**77,330**	74,657
Depreciation of right-of-use assets	**1,616**	2,204
Loss on disposal of property, plant and equipment	**642**	167
Allowance for impairment loss on trade receivables	**652**	–
Interest income	**(2,800)**	(5,667)
Interest expenses	**18,912**	21,396
Net foreign exchange gain	**(55)**	(70)
Unrealised loss arising from changes in fair value of derivate financial instruments	**96**	–
Operating cash flows before movements in working capital	**82,312**	50,825
Decrease/(Increase) in inventories	**31,081**	(91,331)
Decrease/(Increase) in trade and other receivables	**9,791**	(14,604)
(Increase)/Decrease in bills receivable	**(1,280)**	811
(Decrease)/Increase in trade and other payables	**(12,284)**	12,467
Decrease in contract liabilities	**(6,251)**	(1,218)
Decrease in bills payable	**(3,490)**	(24,159)
Cash generated from/(used in) operations	**99,879**	(67,209)
Interest paid	**(18,912)**	(21,383)
Interest on lease liabilities	**–**	(13)
Income tax (paid)/refunded, net	**(500)**	8,499
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**80,467**	(80,106)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(57,164)**	(64,654)
Withdrawal of pledged bank deposits	**64,654**	121,044
Placement of short-term time deposits	**(4,568)**	–
Interest received	**2,800**	5,667
Purchase of property, plant and equipment	**(4,095)**	(16,484)
Proceeds from disposal of property, plant and equipment	**525**	255
Deposits paid for acquisition of property, plant and equipment	**(165)**	(120)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,987**	45,708
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**416,409**	397,800
Repayment of bank and other borrowings	**(479,840)**	(436,114)
Principal element of lease payments	**–**	(618)
NET CASH USED IN FINANCING ACTIVITIES	**(63,431)**	(38,932)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**19,023**	(73,330)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**190,068**	263,398
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**209,091**	190,068
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**209,091**	190,068

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

China Weaving Materials Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, the People's Republic of China ("**PRC**").

The Company together with its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the business of manufacturing and trading of yarn products.

These consolidated financial statements for the year ended 31 December 2024 are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). IFRS Accounting Standards comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). Material accounting policies adopted by the Group are disclosed below.

A number of new or revised IFRS Accounting Standards are first effective for the current accounting period of the Group. Note 3 provides information of these developments which are relevant to the Group's operations. The application of these developments did not have material impact on the Group.

2. BASIS OF PREPARATION (Continued)

The Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 as at 31 December 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

    (i) The Group can successfully obtain its bankers' approval for rollover of its short-term bank borrowings. Up to the date of the consolidated financial statements authorised for issue, certain bankers renewed or agreed to renew the Group's bank borrowings amounting to approximately RMB45,000,000 currently included in current liabilities at 31 December 2024.

    (ii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.

(b) The Group is closely monitoring the latest developments and will continue to assess the impact of any change in government policy, global financial market, economy and business environment on the Group's operations from time to time and adjust its production and sales strategies for its business to generate sufficient operating cash flows.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

Adoption of Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and Amendments to IAS 1 "Non-current Liabilities with Covenants" (collectively the "IAS 1 Amendments")

As a result of the adoption of the IAS 1 Amendments, the Group changed its accounting policy for the classification of borrowings as below:

"Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification."

This new policy did not result in a change in the classification of the Group's borrowings. The Group did not make retrospective adjustments as a result of adopting IAS 1 Amendments. As at 31 December 2024, none of the borrowings classified as non-current was subject to financial covenants.

Adoption of Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. As such, the Group is required to provide the above new disclosures.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised IFRS Accounting Standards issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2024. They do not have a material effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (Continued)

(b) New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not applied any new and revised IFRS Accounting Standards that have been issued but are not yet effective for the financial year beginning 1 January 2024. These new and revised IFRS Accounting Standards include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following standard.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, IFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in IFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying IFRS 18 on the presentation and the disclosures of the consolidated financial statements.

The directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will not have material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale.

(b) Goodwill

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	10 – 30 years
Leasehold improvement	3 years
Plant and machinery	3 – 20 years
Office equipment	3 – 10 years
Motor vehicles	4 – 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases (Continued)

(i) The Group as a lessee (Continued)

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

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.

– Fair value through other comprehensive income ("**FVTOCI**") – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("**ECL**"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for the ECL.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, when derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and accounted for at fair value through profit or loss.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

(q) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of manufactured goods and trading of raw materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates the below post-employment schemes which are defined contribution pension plans:

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "**Ordinance**") for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF Scheme.

For Long Service payment obligation ("**LSP**") in Hong Kong, the Group accounts for the employer MPF contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of IAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's mandatory provident fund contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The employees of the Group's subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 16% (2023: 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit costs charged to profit or loss represent contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Borrowing costs

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

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become 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 the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(u) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGUs. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets

The Group recognises a loss allowance for ECL on its financial assets carried at amortised cost, such as trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. Trade receivables have been grouped based on shared credit risk characteristics. Vast majority of the customers of the Group are involved in clothing or textile industry and located in the PRC. The expected loss rate for the PRC textile industry is a reasonable approximation of the loss rate for trade receivables.

The expected loss rate is based on the industry probability of default and recovery rate for PRC textile industry. The assessment of the expected loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

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

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

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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 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 is remote.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the factors considered by the directors as details explained in Note 2.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

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

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately RMB2,076,000 (2023: RMB15,075,000) of income tax was credited to profit or loss based on the estimated profit or loss from operations.

(b) Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and subsequent accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amounts.

Furthermore, the cash flows projections, growth rates and discount rates are subject to higher degree of estimation uncertainties in the current year due to uncertainty on any change in government policy, global financial market, economy and business environment.

The carrying amount of property, plant and equipment and right-of-use assets at 31 December 2024 were approximately RMB849,007,000 (2023: RMB924,955,000) and RMB39,485,000 (2023: RMB41,101,000) respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the cash flows projections, growth rates and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty in the global financial market, economy and business environment.

The carrying amount of goodwill at the end of the reporting period was approximately RMB20,617,000 (2023: RMB20,617,000).

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses or deductible temporary differences can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the Group's deferred tax are set out in Note 32.

(e) Net realisable value of inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for inventories was made for the year ended 31 December 2024 (2023: Nil).

(f) Impairment of trade receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(f) Impairment of trade receivables (Continued)

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 6(b).

As at 31 December 2024, the carrying amount of trade receivables was approximately RMB9,588,000 (net of allowance for doubtful debts of RMB652,000) (2023: RMB15,643,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the Group entities, including Hong Kong dollars ("**HK$**") and United States dollars ("**US$**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2024, if RMB had weakened 5 per cent against US$ with all other variables held constant, consolidated loss after tax would have been approximately RMB213,000 (2023: RMB216,000) higher, arising mainly as a result of the foreign exchange loss on bank and other borrowings denominated in US$. If RMB had strengthened 5 per cent against US$ with all other variables held constant, consolidated loss after tax would have been approximately RMB213,000 (2023: RMB216,000) lower, arising mainly as a result of the foreign exchange gain on bank and other borrowings denominated in US$.

At 31 December 2024, if RMB had weakened 5 per cent against HK$ with all other variables held constant, consolidated loss after tax would have been approximately RMB220,000 (2023: RMB93,000) lower, arising mainly as a result of the foreign exchange gain on cash and bank balances, short-term time deposits, deposits and other receivables, and other payables (2023: cash and bank balances, bank and other borrowings and other payables) denominated in HK$. If RMB had strengthened 5 per cent against HK$ with all other variables held constant, consolidated loss after tax would have been approximately RMB220,000 (2023: RMB93,000) higher, arising mainly as a result of the foreign exchange loss on cash and bank balances, short-term time deposits, deposits and other receivables, and other payables (2023: cash and bank balances, bank and other borrowings and other payables) denominated in HK$.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables and bills receivable) and from its financing activities, including the pledged bank deposits, short-term time deposits and cash and bank balances.

The Group's exposure to credit risk arising from bills receivable, pledged bank deposits, short-term time deposits and bank balances is limited because the counterparties are well-established banks in Hong Kong and the PRC. The credit quality of bills receivable, bank deposits and balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate is assessed to be close to zero.

Trade receivables

The Group has concentration of credit risk on the Group's trade receivables as 100% (2023: 100%) of the customers are involved in clothing or textile industry and located in the PRC.

In order to minimise the credit risk, the directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. Depending on the customer's credit worthiness and historical relationship with the Group, the Group may require cash payment before delivery of products.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their creditworthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of lifetime ECL provision for all trade receivables.

Movement in the loss allowance for trade receivables during the year is as follows:

	2024 **RMB'000**	2023 RMB'000
At 1 January	**–**	–
Impairment losses recognised for the year	**652**	–
At 31 December	**652**	–

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 (2023: RMB199,261,000) at 31 December 2024. Up to the date of the consolidated financial statements authorised for issue, certain banks renewed or agreed to renew bank borrowings amounting to approximately RMB45,000,000. The Group relies on bank borrowings as significant sources of liquidity. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and accordingly, the consolidated financial statements have been prepared on a going concern basis.

As disclosed in Note 29, the Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers. This results in the Group being required to settle a larger amount with a few counterparties, rather than smaller amounts with several counterparties. The aggregate amount for the supplier financing arrangement with those parties as at 31 December 2024 was at approximately RMB71,264,000 (2023: RMB74,754,000).

All of the Group's banking facilities are subject to the fulfillments of covenants. One of those covenants relates to a subsidiary's financial metrics which is tested periodically, as are commonly found in lending arrangements with financial institutions. If the subsidiary was to breach these covenants, the related loan would become payable on demand. As at 31 December 2024, the related bank loan was classified as current under the scheduled repayment date as set out in the loan agreement. Up to the date of these consolidated financial statements, there are no indications that the Group would have difficulties in complying with the covenants when they will be next tested.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of all non-derivative financial liabilities based on the earliest dates on which the Group can be required to pay, and net settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The Group's derivative financial instruments with a negative fair value has been included at its fair value of approximately RMB96,000 (2023: Nil) within the "On demand or less than 1 year" time bucket as the derivatives are settled on a net basis.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2024				
Non-derivative				
– Trade and other payables	**185,398**	**–**	**–**	**185,398**
– Bills payable	**71,264**	**–**	**–**	**71,264**
– Bank and other borrowings	**410,716**	**448**	**10,090**	**421,254**
Derivative				
– Cotton future contracts	**96**	**–**	**–**	**96**
	667,474	**448**	**10,090**	**678,012**
At 31 December 2023				
Non-derivative				
– Trade and other payables	188,387	–	–	188,387
– Bills payable	74,754	–	–	74,754
– Bank and other borrowings	417,031	71,310	–	488,341
	680,172	71,310	–	751,482

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed rate bank and other borrowings.

The Group's exposure to cash flow interest rate risk relates primarily to variable rate bank and other borrowings which is offset by bank deposits held at variable rates varied with the then prevailing market conditions.

The following table details the primary interest rate profile of the Group's financial assets and liabilities at the reporting date:

	2024 RMB'000	2023 RMB'000
Fixed rate financial liabilities		
Bank and other borrowings	**(358,369)**	(364,800)
Variable rate financial assets/(liabilities)		
Bank deposits	**208,845**	189,722
Bank and other borrowings	**(54,363)**	(111,363)

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate risk on the Group's variable rate bank and other borrowings, offset by bank deposits held at variable rates, at the end of the reporting period and prepared assuming the amounts of bank deposits and bank and other borrowings outstanding at the end of reporting period were outstanding for the whole year.

At 31 December 2024, if interest rates had been 50 basis points (2023: 50 basis points) higher, with all other variables held constant, consolidated loss after tax would have been decreased by approximately RMB772,000 (2023: RMB392,000). If the interest rate had been 50 basis points (2023: 50 basis points) lower or reduced to nil, whichever is higher, with all other variables held constant, consolidated loss after tax would have been increased by approximately RMB772,000 (2023: RMB391,000). The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments at 31 December

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost	**281,039**	270,385
Financial assets at FVTPL – bills receivable	**3,780**	2,500
Financial liabilities		
Financial liabilities at amortised cost	**669,394**	752,909
Financial liabilities at FVTPL– derivative financial instruments	**96**	–

(f) Fair values

Management of the Group considers that the carrying amounts of financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosure of level in fair value hierarchy

At 31 December 2024

Description	Fair value measurement using Level 1 RMB'000	Level 2 RMB'000
Recurring fair value measurements:		
Financial assets		
Financial assets at FVTPL – bills receivable	**–**	3,780
Financial liabilities		
Financial liabilities at FVTPL – derivative financial instruments	**96**	–

At 31 December 2023

Description	Fair value measurement using Level 1 RMB'000	Level 2 RMB'000
Recurring fair value measurements:		
Financial assets		
Financial assets at FVTPL – bills receivable	**–**	2,500

(b) Disclosure of valuation techniques and key inputs used in fair value measurements at 31 December:

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value 2024 RMB'000	2023 RMB'000
Bills receivable	Discounted cash flows	Discount rate	**3,780**	2,500

There were no changes in the valuation technique used during both years.

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with the types of goods delivered and are regularly reviewed by the chief operating decision maker (the "**CODM**") to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive director of the Company.

The CODM has identified the Yarns – manufacturing and trading of yarns as a single reportable segment under IFRS 8 "Operating Segments". No operating segments have been aggregated to form the reportable segment.

Geographical information

Over 99% (2023: 99%) of the Group's non-current assets were located in the PRC, and accordingly, no related geographical information of non-current assets is presented.

Over 99% (2023: 99%) of the Group's revenue were derived from sales of yarns in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total revenue of the Group in both years.

9. REVENUE

The principal activities of the Group are manufacturing and trading of yarns. The Group derives revenue from transfer of goods at a point in time. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales of yarn products such that it does not disclose the information about its remaining performance obligations as the contracts have an original expected duration of one year or less.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of yarns	**1,282,266**	1,107,045

10. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Interest income	**2,800**	5,667
Government grants (Note)	**12,825**	15,228
Income from scrap sales	**20,362**	20,572
Rental income	**1,002**	953
Others	**1,040**	322
	38,029	42,742

Note: For the year ended 31 December 2024, government grants mainly represent:

(a) Subsidies of approximately RMB3,810,000 (2023: RMB14,964,000) received by the Group for rewarding the Group's past contribution to Fengxin County, Jiangxi Province. The grants, at the discretion of the relevant authorities, were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of approximately RMB3,810,000 (2023: RMB14,964,000) was recognised in profit or loss when the grants were received.

(b) Amounts transferred from deferred income of approximately RMB264,000 (2023: RMB264,000) were related to government grants for the refund of the construction cost of building premises, purchase cost of land use rights and deed tax of the land use rights. The refund of purchase cost of land use rights and deed tax was amortised on a straight-line basis over the life of the corresponding land use rights. The refund of construction cost of building premises was amortised on a straight-line basis over the estimated useful lives of building premises upon completion of the construction.

(c) Amount of approximately RMB8,751,000 (2023: Nil) related to input value-added tax super deductions specific for state-encouraged high-new technology enterprises was granted from the tax authority in Mainland China to a subsidiary of the Group.

11. OTHER LOSSES

	2024 RMB'000	2023 RMB'000
Net foreign exchange losses	**672**	181
Loss on disposal of property, plant and equipment	**642**	167
Allowance for impairment loss on trade receivables	**652**	–
Unrealised loss arising from changes in fair value of derivative financial instruments	**96**	–
Others	**7**	–
	2,069	348

12. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	**18,912**	21,383
Interest on lease liabilities	**–**	13
	18,912	21,396

13. INCOME TAX CREDIT

	2024 RMB'000	2023 RMB'000
Current tax		
PRC Corporate Income Tax ("**CIT**")		
Provision for the year	**500**	–
Over-provision in prior year	**–**	(5,160)
	500	(5,160)
Deferred tax		
Origination and reversal of temporary differences	**(2,576)**	(9,915)
Total	**(2,076)**	(15,075)

No provision for Hong Kong Profits Tax for the years ended 31 December 2024 and 2023 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

CIT is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**"), the Company's subsidiary, has been recognised as state-encouraged high-new technology enterprises since 2019. As such, Huachun is entitled to a preferential tax rate of 15% for the years ended 31 December 2024 and 2023.

Jinyuan Textile Co., Ltd, Jiungxi ("**Jiangxi Jinyuan**"), the Company's subsidiary, is entitled to a preferential tax rate of 15% for the year ended 31 December 2023 and is subject to the normal CIT tax rate at 25% for the year ended 31 December 2024.

According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from 1 January 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

13. INCOME TAX CREDIT (Continued)

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	**(13,817)**	(41,598)
Tax at the applicable rates in the jurisdictions concerned (Note)	**(2,953)**	(6,697)
Tax effect of income not taxable for tax purpose	**(253)**	(62)
Tax effect of expenses not deductible for tax purpose	**2,192**	683
Tax effect of temporary differences not recognised	**1,829**	2,417
Tax effect of preferential deduction of expenses	**(1,494)**	(3,598)
Tax effect of unused tax losses not recognised	**735**	2,888
Tax effect of utilisation of tax losses not previously recognised	**(401)**	–
Remeasurement of deferred tax assets – change in tax rate	**(6,718)**	–
Remeasurement of deferred tax liabilities – change in tax rate	**6,718**	–
Over-provision in prior year	**–**	(5,160)
Withholding tax on dividend declared by Jiangxi Jinyuan	**500**	–
Withholding tax on undistributed profits of PRC subsidiaries	**(2,014)**	(7,715)
Others	**(217)**	2,169
Income tax credit for the year	**(2,076)**	(15,075)

Note: The change of tax at applicable rates in the jurisdictions concerned is due to different group entities in respective jurisdictions are subjected to different tax rates.

14. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2024 RMB'000	2023 RMB'000
Auditor's remuneration		
– Audit	**1,196**	1,184
– Others	**261**	263
	1,457	1,447
Cost of inventories sold	**1,240,061**	1,095,782
Depreciation on property, plant and equipment	**77,330**	74,657
Depreciation on right-of-use assets	**1,616**	2,204

Cost of inventories sold includes employee benefits expense, depreciation on property, plant and equipment and depreciation on right-of-use assets of approximately RMB144,306,000 (2023: RMB150,523,000), RMB64,504,000 (2023: RMB62,449,000) and RMB525,000 (2023: RMB1,133,000) respectively, which are included in the amounts disclosed in Note 15 and separately above.

15. EMPLOYEE BENEFITS EXPENSE

	2024 RMB'000	2023 RMB'000
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**154,058**	156,680
Retirement benefits scheme contributions (Note)	**3,311**	7,296
	157,369	163,976

Note: The Group's contributions under the defined contribution pension schemes in the PRC and/or Hong Kong are charged to profit or loss as they become payable in accordance with the relevant rules and regulations and there is no reduction due to contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Five highest paid individuals:

The five highest paid individuals in the Group during the year included two (2023: two) directors (one director is also the Company's chief executive) whose emoluments are reflected in the analysis presented in Note 16. The emoluments of the remaining three (2023: three) individuals are set out below:

	2024 RMB'000	2023 RMB'000
Basic salaries and allowances	**1,794**	1,539
Retirement benefits scheme contributions	**40**	46
	1,834	1,585

	Number of individuals	
	2024	2023
Their emoluments fell within the following bands:		
– Nil to HK$500,000	**1**	2
– HK$500,000 to HK$1,000,000	**2**	1

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid to or receivable by each of the directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	2024 Total RMB'000
Name of directors				
Executive director				
– Mr. Zheng Yongxiang	–	1,099	24	1,123
Non-executive director				
– Mr. Zheng Hong	–	1,368	16	1,384
Independent non-executive directors				
– Mr. Wong Tak Shing	92	–	–	92
– Mr. Xu Yiliang	92	–	–	92
– Mr. Li Guoxing (resigned on 26 March 2025)	92	–	–	92
– Ms. Chow Sin Yee Caroline (appointed on 6 December 2024)	7	–	–	7
Total for 2024	283	2,467	40	2,790

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	2023 Total RMB'000
Name of directors				
Executive director				
– Mr. Zheng Yongxiang	–	1,085	23	1,108
Non-executive director				
– Mr. Zheng Hong	–	1,350	16	1,366
Independent non-executive directors				
– Mr. Wong Tak Shing (appointed on 27 November 2023)	9	–	–	9
– Ms. Zhang Baixiang (resigned on 27 November 2023)	82	–	–	82
– Mr. Xu Yiliang	91	–	–	91
– Mr. Li Guoxing	91	–	–	91
Total for 2023	273	2,435	39	2,747

Mr. Zheng Yongxiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2024 and 2023.

(b) Directors' termination benefits

None of the directors of the Company received any termination benefits during the years ended 31 December 2024 and 2023.

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

During both years, the Company did not pay considerations to any third parties for making available directors' services.

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

At 31 December 2024 and 2023, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities.

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

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2024 (2023: Nil).

18. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2023: 1,252,350,000) in issue during the year:

	2024 **RMB'000**	2023 RMB'000
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	**(11,741)**	(26,523)

	2024 **'000**	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,252,350**	1,252,350

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2024 and 2023.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2023	659,228	–	822,387	7,853	9,902	47,149	1,546,519
Additions	–	587	6,730	619	–	–	7,936
Construction expenditure capitalised	–	–	–	–	–	12,382	12,382
Transfer from construction in progress	45,499	–	10,888	–	–	(56,387)	–
Transfer from right-of-use assets	–	–	6,075	–	–	–	6,075
Disposals	–	–	(1,550)	(130)	(901)	–	(2,581)
At 31 December 2023	704,727	587	844,530	8,342	9,001	3,144	1,570,331
Additions	–	–	1,594	708	247	–	2,549
Disposals	–	–	(2,501)	(927)	(345)	–	(3,773)
At 31 December 2024	**704,727**	**587**	**843,623**	**8,123**	**8,903**	**3,144**	**1,569,107**
ACCUMULATED DEPRECIATION							
At 1 January 2023	196,887	–	359,674	5,817	7,157	–	569,535
Charge for the year	21,553	98	51,836	492	678	–	74,657
Transfer from right-of-use assets	–	–	3,343	–	–	–	3,343
Disposals	–	–	(1,205)	(123)	(831)	–	(2,159)
At 31 December 2023	218,440	98	413,648	6,186	7,004	–	645,376
Charge for the year	23,300	196	52,858	482	494	–	77,330
Disposals	–	–	(1,480)	(847)	(279)	–	(2,606)
At 31 December 2024	**241,740**	**294**	**465,026**	**5,821**	**7,219**	**–**	**720,100**
CARRYING AMOUNT							
At 31 December 2024	**462,987**	**293**	**378,597**	**2,302**	**1,684**	**3,144**	**849,007**
At 31 December 2023	486,287	489	430,882	2,156	1,997	3,144	924,955

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

All the Group's buildings are located in the PRC.

At 31 December 2024, the carrying amount of property, plant and equipment pledged as security for the Group's bills payable and bank and other borrowings amounted to approximately RMB344,037,000 (2023: RMB361,378,000).

At 31 December 2024, the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU of the operations of Jiangxi Jinyuan, were approximately RMB478,682,000 and RMB27,318,000 (2023: RMB528,287,000 and RMB28,707,000) respectively.

At 31 December 2024, in view of the unfavorable financial performance of Jiangxi Jinyuan, management considered there were impairment indicators and performed an impairment assessment of the property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan as at 31 December 2024 to reflect the economic conditions at the reporting date. In making the assessment, internal and external sources of information are considered. These included management's production and sales strategies, the impact of the gradual economic recovery and the upward trend in price of yarns of the operations of Jiangxi Jinyuan.

At 31 December 2024, the recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by the independent qualified professional valuer and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rates and estimated EBITDA. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management determined the growth rates and EBITDA based on past performance and expectations on market development, and the business model the Jiangxi Jinyuan undertakes.

At 31 December 2024, the cash flow forecasts are derived from the most recent financial budgets approved by the directors for the next five years with the estimated EBITDA margin ranging from 8.07% to 10.66% (2023: from 10.53% to 13.93%) and the residual period using the growth rate of 2.0% (2023: 2.2%) which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates.

At 31 December 2024, the rate used to discount the forecast cash flows from the Group's manufacturing and trading of yarns of the operations of Jiangxi Jinyuan is 9.69% (2023: 10.62%).

Based on the value in use calculation, the recoverable amount of the CGU at 31 December 2024 is higher than the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU. As a result, no impairment in respect of the property, plant and equipment and right-of-use assets is recognised during the year ended 31 December 2024.

20. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Plant and machinery RMB'000	Total RMB'000
At 1 January 2023	39,139	6,898	46,037
Transfer to property, plant and equipment	–	(2,732)	(2,732)
Depreciation	(1,071)	(1,133)	(2,204)
At 31 December 2023	38,068	3,033	41,101
Depreciation	(1,091)	(525)	(1,616)
At 31 December 2024	**36,977**	**2,508**	**39,485**

Details of total cash outflow for leases is set out in Note 36(b).

At 31 December 2024, the carrying amounts of leasehold land and plant and machinery pledged as security for the Group's bills payable and bank and other borrowings amounted to approximately RMB29,403,000 and RMB2,508,000 (2023: RMB30,267,000 and RMB3,034,000) respectively.

The Group leases certain of its plant and machinery under finance leases and the average lease term is 4 years. At the end of the lease terms, the Group has the option to purchase the plant and machinery at nominal price.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

21. GOODWILL

	2024 RMB'000	2023 RMB'000
COST		
At beginning of the year and at end of the year	**34,829**	34,829
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the year and at end of the year	**14,212**	14,212
CARRYING AMOUNT		
At end of the year	**20,617**	20,617

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU, Huachun's sales of yarns, that is expected to benefit from that business combination.

The recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by independent qualified professional valuer and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rates and estimated EBITDA. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management determined the EBITDA based on past performance and expectations on market development, and the business model Huachun undertakes.

The cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the estimated EBITDA margin ranging from of 6.78% to 7.88% (2023: from 5.93% to 11.22%) with the residual period using the growth rate of 2.0% (2023: 2.2%) which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates.

The pre-tax rate used to discount the forecast cash flows from the Huachun's sales of yarns activities is 9.43% (2023: 10.53%).

There is no impairment in respect of goodwill in the current year as the CGU recoverable amount is higher than its carrying amount. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount.

22. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**86,321**	80,339
Work in progress	**15,108**	16,280
Finished goods	**91,712**	127,603
	193,141	224,222

23. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**10,240**	15,643
Less: Allowance for doubtful debt	**(652)**	–
	9,588	15,643
Advance payments to suppliers	**9,690**	15,352
Prepayments and other receivables	**1,619**	305
Other tax recoverables	**–**	40
	20,897	31,340

In general, the Group receives advances or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 30 – 90 days depending on creditability of the customers.

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. For the trade receivables which are past due but not impaired, the management assessed the balances are with good credit quality with reference to their past repayment history.

23. TRADE AND OTHER RECEIVABLES (Continued)

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The following is an analysis of trade receivables by age, based on the invoice date which approximates the respective revenue recognition dates, and net of allowance:

	2024 RMB'000	2023 RMB'000
0 – 30 days	**8,996**	14,950
31 – 90 days	**592**	620
91 – 180 days	**–**	73
	9,588	15,643

The carrying amounts of the Group's trade receivables are denominated in RMB.

24. BILLS RECEIVABLE

The following is an analysis of bills receivable, based on the invoice date:

	2024 RMB'000	2023 RMB'000
0 – 30 days	**–**	100
31 – 90 days	**100**	–
91 – 180 days	**3,360**	2,400
181 – 365 days	**320**	–
	3,780	2,500

Included in the above bills receivable, were the following bills receivable that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the bills receivable and the corresponding liabilities.

24. BILLS RECEIVABLE (Continued)

	Bills receivable endorsed to suppliers with full recourse	
	2024	2023
	RMB'000	RMB'000
Carrying amount of recognised financial assets	**3,780**	2,500
Carrying amount of corresponding liabilities not set off	**(3,780)**	(2,500)

The carrying amounts of the Group's bills receivable are denominated in RMB.

The directors estimate that the carrying amounts of the Group's bills receivable approximate their fair values.

25. PLEDGED BANK DEPOSITS/SHORT-TERM TIME DEPOSITS/CASH AND BANK BALANCES

	2024	2023
	RMB'000	RMB'000
Pledged bank deposits	**57,164**	64,654
Short-term time deposits	**4,623**	–
Cash and bank balances	**209,091**	190,068
	270,878	254,722

Pledged bank deposits, short-term time deposits and cash and bank balances of the Group carry interest at market rates per annum as follows:

	2024	2023
Pledged bank deposits	**0.10% – 1.70%**	1.25% – 1.85%
Short-term time deposits	**3.51% – 3.70%**	–
Cash and bank balances	**0.001% – 1.15%**	0.001% – 1.73%

25. PLEDGED BANK DEPOSITS/SHORT-TERM TIME DEPOSITS/CASH AND BANK BALANCES (Continued)

The carrying amounts of the Group's pledged bank deposits, short-term time deposits and cash and bank balances are denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
HK$	**5,316**	3,047
US$	**3**	96
RMB	**265,559**	251,579
	270,878	254,722

The Group's pledged bank deposits represent deposits pledged to secure bills payable, and bank and other borrowings of the Group as set out in Notes 29 and 31.

At 31 December 2024, the Group's pledged bank deposits, short-term time deposits and cash and bank balances denominated in RMB amounted to approximately RMB265,559,000 (2023: RMB251,579,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables	**13,733**	13,606
Other payables	**9,185**	6,670
Other tax payables	**20,126**	17,951
Accrued salaries and wages	**17,488**	17,011
Other accrued charges	**144,306**	161,884
Payables for acquisition of property, plant and equipment	**686**	2,822
	205,524	219,944

26. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables by age, based on the invoice date which approximates the respective dates when the goods are delivered and the titles have passed to the Group:

	2024 RMB'000	2023 RMB'000
0 – 30 days	**9,174**	9,788
31 – 90 days	**–**	–
91 – 180 days	**3,290**	2,761
181 – 365 days	**212**	–
Over 365 days	**1,057**	1,057
	13,733	13,606

In general, the Group makes advance payment to suppliers before the materials or goods are received. The creditors may, in some cases, allow a credit period. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The carrying amounts of the Group's trade payables are denominated in RMB.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Financial liabilities at fair value through profit or loss		
Cotton future contracts	**96**	–

As at 31 December 2024, the Group held cotton future contracts with an aim to mitigate the impact from the raw material price changes. The cotton future contracts comprised of eight contracts with notional principal amount of USD273,600, expiring on 7 March 2025 and on a net cash settlement basis (2023: Nil).

28. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers.

Movements in contract liabilities:

	2024 RMB'000	2023 RMB'000
At 1 January	**10,991**	12,209
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(10,982)**	(12,173)
Increase in contract liabilities as a result of receiving deposits from customers	**4,731**	10,955
At 31 December	**4,740**	10,991

29. BILLS PAYABLE

The following is an analysis of bills payable, based on the invoice date:

	2024 RMB'000	2023 RMB'000
0 – 30 days	**12,832**	–
31 – 90 days	**14,732**	30,476
91 – 180 days	**33,700**	34,278
181 – 365 days	**10,000**	10,000
	71,264	74,754

The carrying amounts of the Group's bills payable are denominated in RMB.

The Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers.

Under these arrangements, the banks pay suppliers the amounts owed by the Group on or earlier than the original due dates, which are normally 0 to 15 days after the invoice date for the comparable trade payables that are not part of the supplier finance arrangement within the same business line. The Group pays the interest and then settles with the banks between 182 to 365 days after the invoice date with suppliers. Certain assets of the Group have been pledged as collaterals for bills payable (Note 37).

29. BILLS PAYABLE (Continued)

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "bills payable", in view of the nature and function of such liabilities when compared with the Group's trade payables. As at 31 December 2024, the carrying amount of financial liabilities under these arrangements amounted to approximately RMB71,264,000 (2023: RMB74,754,000), approximately RMB61,264,000 (2023: RMB64,754,000) of which suppliers have received payments from the banks.

In the consolidated statement of cash flows, payments to the banks are included within operating cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are non-cash transactions.

30. DEFERRED INCOME

	2024 **RMB'000**	2023 RMB'000
Government grants	**6,038**	6,302
Analysed as:		
Current liabilities	**264**	264
Non-current liabilities	**5,774**	6,038
	6,038	6,302

The deferred income comprised government grants for the refund of the purchase cost of land use rights, provided in relation to the establishment of Jiangxi Jinyuan in 2005 amounting to approximately RMB7,488,000 and of the construction cost of the building premises and deed tax of the land use rights, provided in relation to the establishment of Xinyuan in 2015 amounting to approximately RMB2,200,000 and RMB187,000 respectively.

Government grants are recognised as deferred income in the consolidated statement of financial position when received. For the refund of purchase cost of land use rights and deed tax, they are transferred to profit or loss over the lease terms of the corresponding land use rights. For the refund of construction cost of the building premises, it is transferred to profit or loss over the estimated useful lives of building premises upon completion of the construction. These policies have resulted in a credit to profit or loss in the current year of approximately RMB264,000 (2023: RMB264,000). At 31 December 2024, an aggregate carrying amount of approximately RMB6,038,000 (2023: RMB6,302,000) remains to be amortised.

31. BANK AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured	**321,123**	371,163
Unsecured	**91,609**	105,000
	412,732	476,163

	2024 RMB'000	2023 RMB'000
The bank and other borrowings are repayable as follows:		
Within one year	**402,732**	406,092
More than one year, but not more than two years	**–**	70,071
More than two years, but not more than five years	**10,000**	–
	412,732	476,163
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(402,732)**	(406,092)
Amount due for settlement after 12 months	**10,000**	70,071

At 31 December 2024, certain assets of the Group have been pledged as collaterals for secured bank and other borrowings (Note 37).

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
US$	**4,413**	4,413
RMB	**408,319**	471,750
Total	**412,732**	476,163

The ranges of the interest rates per annum at 31 December are as follows:

	2024	2023
Interest rate:		
– Fixed rate borrowings	**1.45% – 4.48%**	3.85% – 4.80%
– Variable rate borrowings	**3.65% – 5.17%**	3.65% – 6.06%

Bank and other borrowings of approximately RMB358,369,000 (2023: RMB364,800,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining bank and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate that the carrying amounts of the Group's bank and other borrowings are not materially different from their fair value at 31 December 2024.

32. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax balances recognised by the Group, and the movements thereon during the current and prior years:

Deferred tax assets/(liabilities)

	Tax losses RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustments on business combination RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2023	6,373	(18,251)	(6,214)	(15,183)	(33,275)
Credit/(Charge) to profit or loss	7,899	(6,022)	323	7,715	9,915
At 31 December 2023 and 1 January 2024	14,272	(24,273)	(5,891)	(7,468)	(23,360)
Credit/(Charge) to profit or loss	15,943	(15,694)	313	2,014	2,576
At 31 December 2024	**30,215**	**(39,967)**	**(5,578)**	**(5,454)**	**(20,784)**

For the purpose of presentation in the consolidated statement 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:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(20,784)**	(23,360)
	(20,784)	(23,360)

32. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Under the PRC CIT Law, withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to foreign investors for the companies established in the PRC. At 31 December 2024 and 2023, deferred tax has been provided on the undistributed earnings of the PRC subsidiaries.

At the end of the reporting period, the Group had unused tax losses of approximately RMB239,827,000 (2023: RMB315,324,000) available for offset against future profits. No deferred tax asset was recognised in respect of the unused tax losses of approximately RMB108,574,000 (2023: RMB220,181,000). Among which (a) unrecognised tax losses of approximately RMB63,584,000 (2023: RMB179,647,000) were not expected to be utilised in the near term and might expire before utilisation due to unpredictability of future profit streams and (b) approximately RMB44,990,000 (2023: RMB40,534,000), which might be carried forward indefinitely, were not recognised due to unpredictability of future profit streams.

33. SHARE CAPITAL

	Number of shares '000	HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2023 and 31 December 2024	10,000,000	1,000,000

	Number of shares '000	HK$'000	RMB'000
Issued and fully paid:			
At 31 December 2023 and 31 December 2024	1,252,350	125,235	101,989

33. SHARE CAPITAL (Continued)

Capital 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 shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts (which represent total debts include bank and other borrowings, net of cash and cash equivalents and short-term time deposits) and equity attributable to owners of the Company, comprising share capital, share premium and reserves. The capital structure at 31 December 2024 and 31 December 2023 was as follows:

	2024 RMB'000	2023 RMB'000
Total debts	**412,732**	476,163
Less: Cash and cash equivalents	**(209,091)**	(190,068)
Short-term time deposits	**(4,623)**	–
Net debts	**199,018**	286,095
Equity attributable to owners of the Company	**676,792**	688,533
Net debts and equity attributable to owners of the Company	**875,810**	974,628

The decrease in the capital structure during 2024 resulted primarily from the decrease in net debts and the decrease in equity attributable to owners of the Company.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group balances its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

The externally imposed capital requirements for the Group are: (a) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (b) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and demonstrates the continuing compliance with the 25% limit throughout the year.

A subsidiary of the Company is subject to the maintenance of specified financial requirements, such as on debt-asset ratio, current ratio, etc.

During the year, the Group complied with the aforesaid financial requirement of its interest-bearing borrowings.

34. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**7,920**	7,975

35. RETIREMENT BENEFITS SCHEMES

The Group operates the MPF Scheme for all qualifying Hong Kong employees of the Group. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs with the maximum monthly amount of HK$1,500 per employee to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 16% (2023: 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total contributions to retirement benefits schemes charged to profit or loss for the year ended 31 December 2024 are disclosed in Note 15.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

For the year ended 31 December 2024, the Group had entered certain supplier finance arrangements with the banks. Under such arrangements, the banks will pay upon delivery of products/services by the suppliers. No cash flow was involved, and no cash flow is presented in the consolidated statement of cash flows. The derecognition of the payables to the bills payable amounted to approximately RMB71,264,000 (2023: RMB74,754,000).

(b) 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.

	1 January 2024 RMB'000	**Net cash flows RMB'000**	**Interest expenses RMB'000**	**Exchange differences RMB'000**	**31 December 2024 RMB'000**
Bank and other borrowings	**476,163**	**(82,343)**	**18,912**	**–**	**412,732**

	1 January 2023 RMB'000	Net cash flows RMB'000	Interest expenses RMB'000	Exchange differences RMB'000	31 December 2023 RMB'000
Lease liabilities	637	(631)	13	(19)	–
Bank and other borrowings	514,528	(59,697)	21,383	(51)	476,163
	515,165	(60,328)	21,396	(70)	476,163

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2024 **RMB'000**	2023 RMB'000
Within operating cash flows (including short-term lease)	**372**	145
Within financing cash flows	**–**	618
	372	763

These amounts relate to the following:

	2024 **RMB'000**	2023 RMB'000
Lease rental paid	**372**	763

37. PLEDGE OF ASSETS

At 31 December 2024, the following carrying amounts of assets have been pledged as security for the Group's bills payable and bank and other borrowings (Notes 29 and 31).

	2024 **RMB'000**	2023 RMB'000
Property, plant and equipment	**344,037**	361,378
Right-of-use assets	**31,911**	33,301
Pledged bank deposits	**57,164**	64,654
	433,112	459,333

38. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with its related parties:

(a) Transactions with related parties

	2024 RMB'000	2023 RMB'000
Short-term employee benefits in relation to close family members of a key management personnel	**431**	417
Short-term lease payment in relation to lease contract with a director of the Company	**372**	106

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year are as follows:

	2024 RMB'000	2023 RMB'000
Short-term benefits	**3,691**	3,638

The remuneration is determined by the directors of the Company having regard to the performance of individuals and market trends.

At 31 December 2024, included in accrued salaries and wages was an amount of approximately RMB41,000 (2023: RMB41,000) being accrued remuneration in relation to key management personnel which is unsecured, interest-free and to be settled in cash.

(c) Other transactions with related parties

At 31 December 2023, certain banking facilities were guaranteed by the executive director and a close family member of two directors. At 31 December 2024, no such guarantees were in place.

39. CONTINGENT LIABILITIES

At 31 December 2024, the Group did not have any significant contingent liabilities (2023: Nil).

40. SHARE OPTION SCHEME

Pursuant to a resolution passed on 25 June 2021, the Company adopted a share option scheme (the "**Option Scheme**"), which will expire 10 years after the date immediately prior to the 10th anniversary of the adoption date of the Option Scheme, by the shares of the Company (the "**Shares**") listing on the Stock Exchange, for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Under the Option Scheme, the board of the Company may grant options to any full-time or part-time employees, executives, officers or managers of the Company or any of its subsidiaries; any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; and any consultants of the Company or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price is determined by the board of the Company, and will not be less than the higher of (a) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, and (b) the average of the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue at the date of approval of the Option Scheme, being 1,252,350,000 Shares, unless further approval from the Shareholders has been obtained.

Besides, the maximum number of Shares which may be issued upon exercise of all outstanding share options granted must not exceed 30% of the issued share capital from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

No share options were granted by the Company nor exercised by any employees during the years ended 2024 and 2023. There are no share options outstanding as at 31 December 2024 and 2023.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 RMB'000	2023 RMB'000
Non-current asset			
Investments in subsidiaries		**184,256**	184,256
Current assets			
Prepayments		**89**	85
Bank balances		**92**	91
		181	176
Current liabilities			
Other payables		**513**	472
Amount due to a subsidiary		**9,707**	6,799
		10,220	7,271
Net current liabilities		**(10,039)**	(7,095)
Net assets		**174,217**	177,161
Capital and reserves			
Share capital		**101,989**	101,989
Reserves	41(b)	**72,228**	75,172
Equity		**174,217**	177,161

Approved by the Board of Directors on 27 March 2025 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

41. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(b) Reserves movement of the Company

	Share Premium RMB'000 (Note 42(b)(i))	Special reserve RMB'000 (Note 42(b)(iii))	Retained Profits RMB'000	Total RMB'000
At 1 January 2023	53,074	(81)	23,657	76,650
Loss and total comprehensive expense for the year	–	–	(1,478)	(1,478)
At 31 December 2023 and 1 January 2024	53,074	(81)	22,179	75,172
Loss and total comprehensive expense for the year	–	–	(2,944)	(2,944)
At 31 December 2024	**53,074**	**(81)**	**19,235**	**72,228**

42. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

i. Share premium

Under the Companies Law of the Cayman Islands, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on their shares shall be transferred to share premium account. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business.

ii. PRC statutory reserves

PRC statutory reserves include statutory surplus reserve and discretionary surplus reserve.

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

Moreover, upon approval by the equity owner, a subsidiary of the Company transfers 10% of its profit after tax, as determined in accordance with the PRC accounting and regulations, to the discretionary surplus reserve.

iii. Special reserve

Special reserve arises from the issue of a company's shares in exchange for the shares of companies being acquired, and represents (a) the difference between the nominal value of the Company's shares issued and the value of the shares of Jolly Success International Limited ("**Jolly Success**") acquired, (b) the difference between the nominal value of shares issued for the acquisition of Treasure Resources by Jolly Success and the paid up capital of Treasure Resources, and (c) the difference between the nominal value of shares issued by Treasure Resources for the acquisition of Jiangxi Jinyuan and the net asset value of Jiangxi Jinyuan.

43. SUBSIDIARIES

The Company had direct and indirect interests in the following subsidiaries at 31 December 2024:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Jolly Success International Limited	British Virgin Islands/ Hong Kong	Ordinary HK$1,000	100%	–	Investment holding
Treasure Resources Corporation Limited	Hong Kong	Ordinary HK$2,000	–	100%	Investment holding and trading of yarn products and related materials
Jinyuan Textile Co., Ltd., Jiangxi#	PRC	HK$492,300,000	–	100%	Manufacturing and trading of yarn products
Jiangxi Huachun Color Spinning Technology Development Co., Ltd. Δ*	PRC	RMB120,000,000	–	100%	Manufacturing and trading of yarn products

Registered as a wholly foreign-owned enterprise under the PRC law.

Δ Registered as a company with limited liability under the PRC law.

* English translation of the name is for identification purposes only.

44. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period which were required to be disclosed.

Five Years Financial Summary

	Year ended 31 December				
	2020 RMB'000 (Unrestated) (note b)	2021 RMB'000 (Restated) (note a)	2022 RMB'000	2023 RMB'000	**2024 RMB'000**
CONTINUING OPERATIONS					
Revenue	1,421,077	1,640,903	1,318,133	1,107,045	**1,282,266**
Cost of sales	(1,277,914)	(1,337,727)	(1,260,031)	(1,095,782)	**(1,240,061)**
Gross profit	143,163	303,176	58,102	11,263	**42,205**
Other income	29,215	37,578	23,613	42,742	**38,029**
Other gains and losses	3,489	(17,590)	(8,091)	(348)	**(2,069)**
Distribution and selling expenses	(26,543)	(26,154)	(24,390)	(23,023)	**(23,824)**
Administrative expenses	(49,217)	(54,363)	(54,482)	(50,836)	**(49,246)**
Reversal of impairment loss on property, plant and equipment	5,158	–	18,825	–	**–**
Reversal of impairment loss on right-of-use assets	134	–	–	–	**–**
Profit/(Loss) from continuing operations	105,399	242,647	13,577	(20,202)	**5,095**
Finance costs	(29,387)	(20,522)	(22,676)	(21,396)	**(18,912)**
Profit/(Loss) before tax from continuing operations	76,012	222,125	(9,099)	(41,598)	**(13,817)**
Income tax (expense)/credit	(13,208)	(36,413)	4,224	15,075	**2,076**
Profit/(Loss) and total comprehensive income/(expense) for the year from continuing operations	62,804	185,712	(4,875)	(26,523)	**(11,741)**
DISCONTINUED OPERATION					
Profit/(Loss) before tax from a discontinued operation	–	18,687	(7,689)	–	**–**
Profit/(Loss) and total comprehensive income/(expense) for the year	62,804	204,399	(12,564)	(26,523)	**(11,741)**
Profit/(Loss) and total comprehensive Income/(expense) for the year attributable to:					
Owners of the Company	62,750	202,544	(12,564)	(26,523)	**(11,741)**
Non-controlling interests	54	1,855	–	–	**–**
	62,804	204,399	(12,564)	(26,523)	**(11,741)**
Earnings/(Loss) per share					
Basic (RMB cents)	5.01	16.17	(1.00)	(2.12)	**(0.94)**
Diluted (RMB cents)	N/A	N/A	N/A	N/A	**N/A**

Five Years Financial Summary (Continued)

Notes:

(a) Due to the cessation of the manufacturing and trading of polyester staple fibres on 30 September 2022, the comparative financial information for the year ended 31 December 2021 of the Group has been restated to reflect the exclusion of financial information of the discontinued operation.

(b) The financial information of the Group has not been restated as the Directors consider that the unrestated financial information is more appropriate to reflect year-on-year comparison of the change in the Group's business operation.

	At 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,508,554	1,689,565	1,595,307	1,500,047	**1,397,970**
Total liabilities	(879,319)	(908,371)	(880,251)	(811,514)	**(721,178)**
Net assets	629,235	781,194	715,056	688,533	**676,792**
Equity attributable to:					
Owners of the Company	631,902	781,194	715,056	688,533	**676,792**
Non-controlling interests	(2,667)	–	–	–	**–**
Total equity	629,235	781,194	715,056	688,533	**676,792**