



GREATIME INTERNATIONAL HOLDINGS LIMITED  
廣泰國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)  
Stock Code: 844

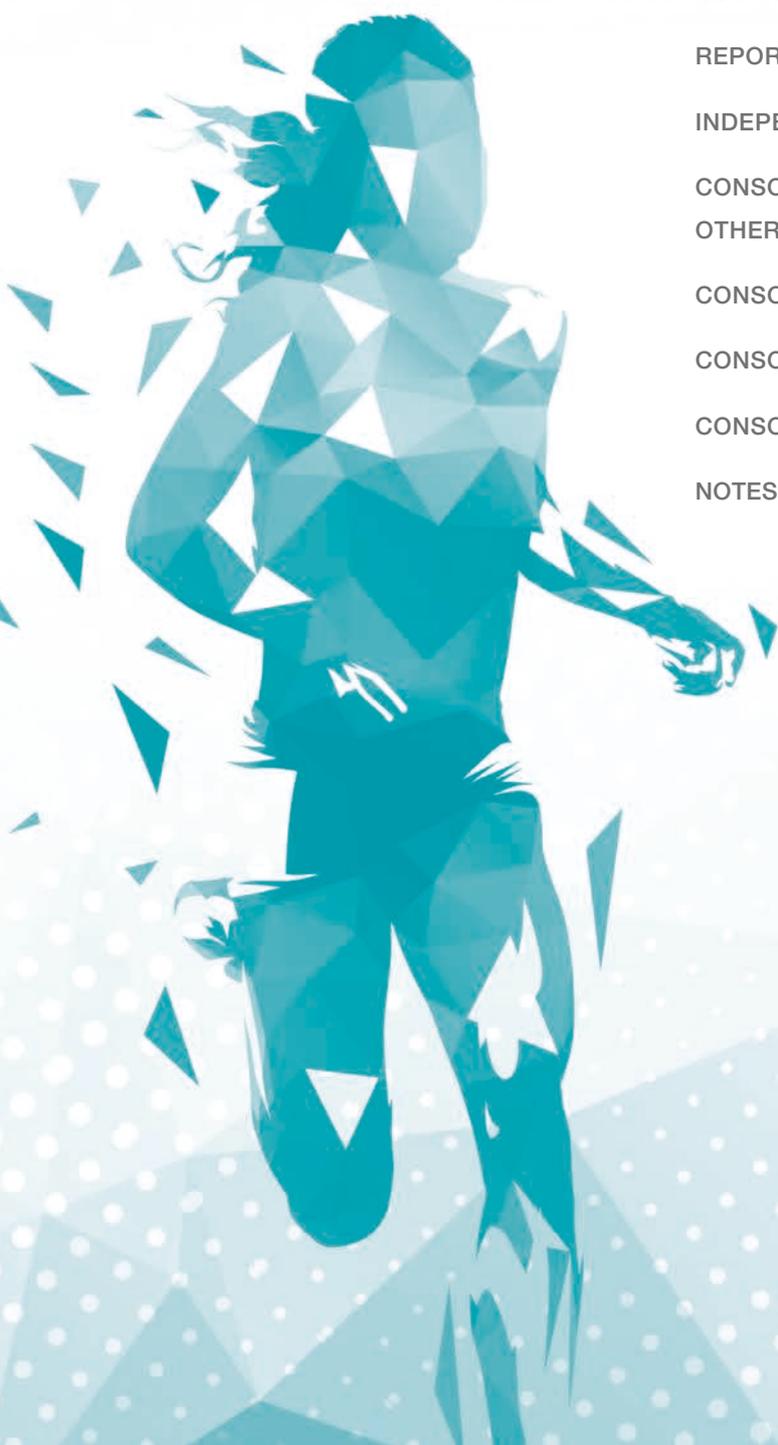
# 2023 ANNUAL REPORT



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Wang Bin  
Mr. Du Shuwei  
Mr. Shu Dakun (appointed on 1 August 2023)

## NON-EXECUTIVE DIRECTOR

Mr. Zhang Yanlin

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Dunkai  
Ms. Zhao Weihong  
Mr. Zheng Bing (appointed on 1 August 2023)

## AUTHORISED REPRESENTATIVES

Mr. Shu Dakun (appointed on 1 August 2023)  
Mr. Lee Yin Sing

## AUDIT COMMITTEE

Mr. Zheng Bing (Chairman) (appointed on 1 August 2023)  
Ms. Zhao Weihong  
Mr. Xu Dunkai

## REMUNERATION COMMITTEE

Mr. Xu Dunkai (Chairman)  
Mr. Shu Dakun (appointed on 1 August 2023)  
Mr. Zheng Bing (appointed on 1 August 2023)

## NOMINATION COMMITTEE

Mr. Wang Bin (Chairman)  
Ms. Zhao Weihong  
Mr. Zheng Bing (appointed on 1 August 2023)

## COMPANY SECRETARY

Mr. Lee Yin Sing, CPA

## AUDITORS

SHINEWING (HK) CPA Limited

## LEGAL ADVISER

As to Hong Kong law:  
Loeb & Loeb LLP

## REGISTERED OFFICE

P.O. Box 3340  
Road Town  
Tortola  
British Virgin Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4408, 44/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 102 Renmin Dong Road  
Zhucheng City  
Shandong Province  
The PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI

Tricor Services (BVI) Limited  
P.O. Box 3340, Road Town, Tortola  
British Virgin Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## PRINCIPAL BANKER

Industrial and Commercial Bank of China,  
Zhucheng sub-branch  
The Hongkong and Shanghai Banking  
Corporation Limited

## LISTING INFORMATION

Place of listing: Main Board of  
The Stock Exchange of Hong Kong Limited  
Stock Code: 844

## COMPANY'S WEBSITE

[www.greatimeintl.com](http://www.greatimeintl.com)

# FINANCIAL HIGHLIGHTS

## KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
<b>Key Financial Information</b>					
Revenue	<b>508,622</b>	469,044	430,989	418,160	410,217
Gross profit	<b>105,449</b>	96,693	77,475	98,180	99,985
(Loss) profit before tax	<b>(2,311)</b>	6,263	(11,850)	16,260	313
(Loss) profit for the year	<b>(9,664)</b>	(156)	(14,255)	8,922	(6,745)
Total comprehensive (expense) income for the year	<b>(8,151)</b>	(3,270)	(26,533)	8,164	(6,051)
Non-current assets	<b>212,241</b>	164,162	185,352	212,235	248,178
Current assets	<b>407,694</b>	341,935	292,464	264,727	210,555
Current liabilities	<b>331,238</b>	234,610	205,455	176,461	166,297
Net current assets	<b>76,456</b>	107,325	87,009	88,266	44,258
Total assets	<b>619,935</b>	506,097	477,816	476,962	458,733
Total assets less current liabilities	<b>288,697</b>	271,487	272,361	300,501	292,436
Total equity	<b>282,488</b>	268,424	271,694	298,227	290,063
Cash and cash equivalents	<b>270,118</b>	227,951	161,408	140,599	93,755
<b>Key Financial Ratios</b>					
Gross profit margin	<b>20.7%</b>	20.6%	18.0%	23.5%	24.4%
Net profit margin	<b>-</b>	-	-	2.1%	-
Gearing ratio <sup>(1)</sup>	<b>25.4%</b>	20.4%	21.6%	21.6%	21.4%
Current ratio	<b>1.2</b>	1.5	1.4	1.5	1.3
Trade receivables turnover days	<b>27</b>	29	37	40	36
Inventory turnover days	<b>62</b>	77	76	69	70

Note:

<sup>1</sup> Gearing ratio represents the ratio between total interest-bearing borrowings and total assets.

## FINANCIAL HIGHLIGHTS

### REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

For the year ended 31 December

	2023		2022	
	RMB'000	%	RMB'000	%
<b>Revenue of the Group by products</b>				
Fabrics products	136,641	26.9	137,240	29.3
Innerwear products	370,228	72.8	331,804	70.7
Space measurement	1,753	0.3	–	–
<b>Total</b>	<b>508,622</b>	<b>100.0</b>	<b>469,044</b>	<b>100</b>

#### 2023



#### 2022



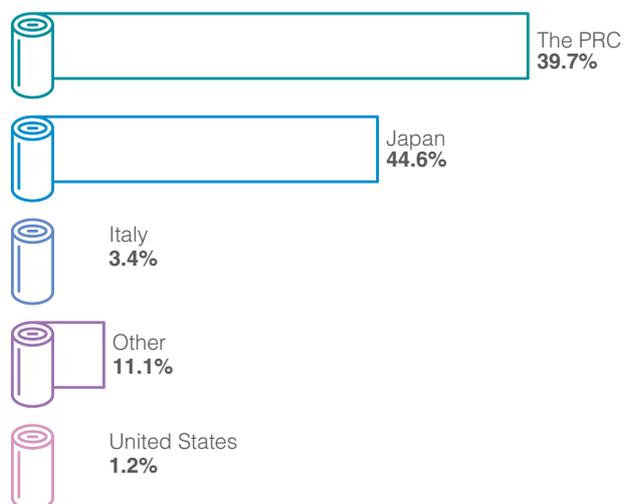
## FINANCIAL HIGHLIGHTS

### REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

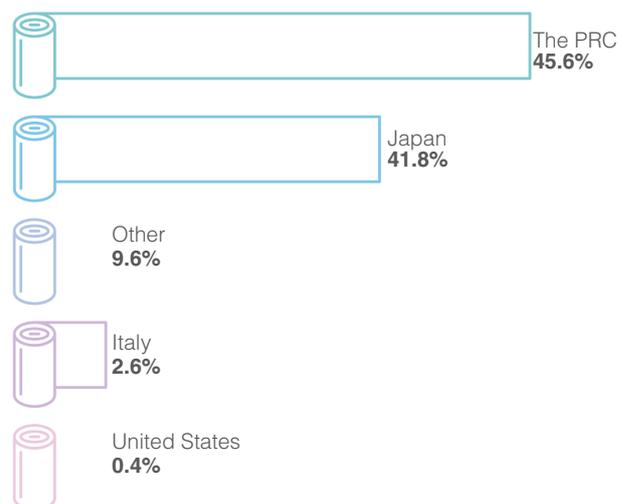
For the year ended 31 December

	2023		2022	
	RMB'000	%	RMB'000	%
<b>Revenue of the Group by regional distribution</b>				
The PRC	<b>202,109</b>	<b>39.7</b>	213,983	45.6
Japan	<b>226,873</b>	<b>44.6</b>	196,003	41.8
Others	<b>56,282</b>	<b>11.1</b>	45,209	9.6
Italy	<b>17,077</b>	<b>3.4</b>	12,231	2.6
United States	<b>6,281</b>	<b>1.2</b>	1,618	0.4
<b>Total</b>	<b>508,622</b>	<b>100</b>	<b>469,044</b>	<b>100</b>

2023



2022



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Greatime International Holdings Limited (“**Greatime International**” or the “**Company**”, together with its subsidiaries, the “**Group**”), I would like to present to all the shareholders the audited annual consolidated results of the Group for the year ended 31 December 2023 (the “**Year under Review**”).

Although economic environment, both globally and in China, was full of ups and downs in 2023, various industries, including China's textile service export industry, also faced numerous crises and challenges. Greatime International has proactively faced the complex and ever-changing business environment, and strategically adopted flexible strategies to ensure sustainable business development and adaptability for market changes. Our functional fabrics and innerwear manufacturing business, which performed as expected in the past year, has not only maintained a steady growth but also made positive contributions to the overall revenue and financial health of the Group.

In the face of the ever-changing business environment, Greatime International has adopted a series of flexible and diversified strategies. These include optimising product mix, strengthening supply chain management, and improving production efficiency to enhance competitiveness and market adaptability. We are committed to continuously innovating and enhancing our business processes to ensure that our products and services can meet the changing needs of consumers while maintaining our leading position in the industry. During the Year under Review, the Group's turnover amounted to approximately RMB509 million, representing an increase of approximately 8.4% as compared with that of 2022, among which the turnover of knitted fabrics and innerwear products were RMB136.6 million and RMB370.2 million, respectively.

The Group has been actively looking for new businesses with investment prospects and development potential to further diversify its business portfolio and balance its operational risks more effectively. In recent years, artificial intelligence (AI) has risen rapidly, and the market generally expects that AI will bring significant changes and unlimited business opportunities to various industries around the world. In particular, it has become increasingly important in the real estate market, construction, surveying and engineering industries.

Currently, the real estate market in China has yet to recover. However, considering the development process of national urbanization, the real estate industry still holds enormous potential and opportunity. In addition, the “three major constructions (三大工程)” for the construction of affordable housing, the transformation of village urbanisation and the construction of public infrastructure with “normal and urgent use” are regarded as the key means to implement the new strategy of real estate development, and are also the long-term mechanism and important entry point to stabilise the real estate market. PF1 The industry generally expects that the “three major projects (三大項目)” will become an important tool for stabilising investment and promoting consumption in 2024, and the relevant supporting funds are also investing in an accelerated rate to actively promote steady growth. This will play an important role in stabilising investment and boosting sales recovery in 2024.

Against this backdrop, the Group believes that the development prospects of Building Information Modelling (BIM) will be broader. BIM is one of the key components of digital transformation. It can help the construction industry achieve more efficient workflow and data management, promote the modernization and intelligence of the construction industry, and also improve efficiency, reduce costs and enhance sustainability. With the continuous development of technology and the popularisation of the industry, BIM will continue to play an important role in the future and become a key tool for construction project management.

## CHAIRMAN'S STATEMENT

During the Year under Review, we seized the once-in-a-century opportunity. In May 2023, the Group officially made a step towards the field of technology by acquiring 40.0% equity interest in Youying Intelligent Technology (Shenzhen) Co., Ltd. (“**Youying**”) at a total consideration of RMB74 million.

Youying is currently engaged in high-precision space measurement and modelling services, geographic spatial data measurement services, internal and external industry software development, City Information Modelling (CIM) underlying platform and system construction, as well as research and development, production, sales and technical assistance of industrial drones and 3D high-precision laser radar measurement robots in the PRC. At present, Youying is one of the few start-up technology enterprises in the PRC that have self-developed and advanced software and hardware technologies for high-precision space measurement drones and 3D high-precision laser radar measuring robots and systems.

Upon completion of the equity acquisition, the Group will strive to develop into a smart city high-tech infrastructure technology service enterprise with AI high-precision measurement and data collection as its core. We firmly believe that under the comprehensive promotion of “Overall Layout Plan for Digital China Construction (《數字中國建設整體佈局規劃》)” by the Central Committee of the Communist Party of China and the State Council, the implementation of policies for promotion of BIM and CIM technologies will be accelerating which will boost the demand for relevant technologies in China, bringing us broader development prospects.

Looking forward, the Group will continue to stay true to its original aspiration and keep pace with the times, and remain committed to providing customers around the world with diversified, high-quality and cost-effective functional fabrics and innerwear. At the same time, we are actively strengthening cooperation with new business teams to achieve mutual benefit and common growth with the goal of improving technical level, consolidating business foundation, and establishing good goodwill and brand image. We firmly believe that as the new business becomes another driving force for the Company, it will help the Group to continue adhering to innovation and actively explore development opportunities brought by new infrastructure and global construction digitalization.

Last but not least, on behalf of the Board, I would like to express our most sincere gratitude to all our staff. With their hard work and support, we are able to stand out in the environment full with changes. At the same time, we would like to thank all shareholders, investors and all customers for their long-term support and trust to the Group, enabling us to achieve a series of important milestones and achievements. We will continue to work hard to create greater value and returns for our shareholders.

Chairman  
**Wang Bin**

26 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

Reflecting on 2023, the world entered a period of turbulence unprecedented in decades. Many countries faced economic pressures, including a recession in the US, continuous interest rate hikes by the Federal Reserve, and significant fluctuations in the capital market. At the same time, frequent geopolitical conflicts such as the ongoing Russia-Ukraine conflict and the escalation of the Israel-Palestinian conflict have led to divergence among major economies and further threatened the global economy. According to the statistics of the World Bank, the global gross domestic product (GDP) growth rate was 2.6% in 2023, of which the average growth rate of developed countries was 1.5%, and the average growth rate of developing countries was 4%. In China, according to the data released by the National Bureau of Statistics, the GDP of China exceeded RMB126 trillion in 2023, representing a year-on-year increase of 5.2%, and the growth rate accelerated by 2.2 percentage points as compared with 2022. China is still a very important driving force for global economic growth.

During the Year under Review, China's foreign trade achieved a remarkable result of "steady growth in scale and quality improvement". According to the statistics of the General Administration of Customs, the total import and export value<sup>1</sup> of China in 2023 was RMB41.76 trillion, representing a year-on-year increase of 0.2%. Among them, exports amounted to RMB23.77 trillion, representing an increase of 0.6%; imports amounted to RMB17.99 trillion, representing a decrease of 0.3%. The share of China's exports in the international market continued to maintain at a higher level of approximately 14% in 2023. However, exports of China's textile and apparel industry recorded a year-on-year decrease of 8.1% (a year-on-year decrease of 2.9% in RMB terms) to US\$293.64 billion. Among them, textile exports amounted to US\$134.50 billion, representing a year-on-year decrease of 8.3% (a year-on-year decrease of 3.1% in RMB terms); apparel exports amounted to US\$159.14 billion, representing a year-on-year decrease of 7.8% (a year-on-year decrease of 2.8% in RMB terms). Nevertheless, the textile industry in China showed a stable performance in exports to major markets such as the United States and ASEAN. At the same time, the formation of a diversified international market pattern is accelerating, with the annual export value from 'Belt and Road' countries now accounting for more than 50%. Among these, Russia, Kazakhstan, Saudi Arabia, Singapore, and Algeria have shown particularly notable export performance.

In 2023, AI became the key word to transform the industry and reshape the world. With the continuous development and application of AI technology, emerging AI-related industries and technologies have emerged, and the application scope has rapidly expanded. These changes not only enlarge the boundaries of technological innovation, but also open up a new path for economic development and social progress, demonstrating the status of AI as one of the most influential technologies in the present era. Digital twin cities refer to the transformation of physical cities into virtual digital city models by using Internet of Things (IOT) technology, geographic information technology and intelligent building city models, which can be used to simulate operation in a model to achieve real-time monitoring effect and thus realise functions such as prediction, analysis and optimisation. According to the "Analysis Report on the Prospects and Investment Strategic Planning of China's Digital Twin Industry for 2024-2029" (《2024-2029年中國數字孿生行業前景預測與投資戰略規劃分析報告》) issued by the China Commercial Industry Research Institute (中商產業研究院), the market size of China's digital twin cities reached RMB5.1 billion in 2022, and the market size was approximately RMB9 billion in 2023. With the continuous exploration of application scenarios, digital twin cities will achieve higher growth in multiple rounds of explosive growth. The report also anticipates that the market size of digital twin cities in China will increase to RMB13.5 billion in 2024.

<sup>1</sup> <http://info.texnet.com.cn/detail-970950.html>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2023, the Group has acquired Youying and its subsidiary (the “**Youying Group**”), which focuses on the research and development of its software and hardware for the provision of data collection services and sales of data, including high-precision space mapping drones (UAV) and 3D high-precision laser radar measuring robots and systems, and the application of such products and technologies, as well as the integration with Building Information Modelling (“**BIM**”) and Urban Information Modelling (“**CIM**”) software technologies.

In 2023, Youying was awarded as an innovative small and medium enterprise in Shenzhen, a technology-based small and medium enterprise in Shenzhen, won the 4th Unmanned System Industry Golden Wing Award – Application Innovation Award, and won the 2023 “Belt and Road” Low-altitude Technology Development Conference – Technology Innovation Award, and Excellent Product Award in Supply Chain. At the same time, Youying has successively obtained 2 invention patents, 10 utility models, 23 soft works, 1 appearance patent, PCT1 international patents, and 1 provincial and ministerial testing report.

In the fourth quarter of 2023, the first batch of high-precision space measurement drone pilot products of the Youying Group were launched in the PRC along with the commencement of digital twin business and recorded a revenue of RMB1.8 million for the Group for the Year under Review. Since the completion of the equity subscription, the Group has actively participated in the promotion and development of relevant businesses, including management and investment promotion activities, and continued to communicate and coordinate with the business team. During the Year under Review, the revenue contribution of the Youying Group has not yet reached the expected target, which was mainly due to the continuous changes in macroeconomic conditions, relevant policies, market environment and the demand of potential customers. Meanwhile, the development and improvement of technology, along with application integration, have taken longer than anticipated. Additionally, the Youying Group experienced an unexpected delay in realizing revenue, as negotiations with potential customers were more protracted than expected during 2023. These delays resulted in the new business not delivering a significant revenue contribution within the expected timeframe of the Year under Review. However, we believe that the digital business development of Youying Group is heading in the right direction and is highly compatible with the development strategy of “Digital China”, so the potential market for the related business is huge. With the gradual maturity of the Youying Group’s own conditions, new product launch and the nationwide recovery of the market and construction industry, the new business will become an important source of revenue for the Group.

The Group will continue to actively participate in and improve the operation of the Youying Group from various aspects such as research and development, sales, daily operation and finance, and formulating a comprehensive mechanism. The Group is currently preparing for the development of products and technology optimisation, while actively exploring the product market, and have initiated business negotiations with various departments of the PRC government and major property developers in some key cities.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the functional fabrics and lingerie manufacturing business, the Group has achieved a steady growth of approximately 8.0% in revenue during the Year under Review. With the development of megatrends, particularly the surging demand for high-quality sportswear and lingerie, the Group is committed to designing and offering diversified products that are not only of high quality but also yield high margins, all tailored to customer needs. The Group ensures the quality of our product and on-time delivery by establishing good cooperative relationships with suppliers across the country. During the Year under Review, the Group maintained a stable market share in major markets such as China, Japan, Italy and the United States.

### FINANCIAL REVIEW

#### Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the Year under Review, with corresponding comparative figures for the year ended 31 December 2022:

	Year ended 31 December			
	2023 RMB'000 (Audited)	2023 %	2022 RMB'000 (Audited)	2022 %
Knitted fabrics	136,641	26.9	137,240	29.3
Innerwear products	370,228	72.8	331,804	70.7
Space measurement	1,753	0.3	–	–
Total	508,622	100.0	469,044	100.0

For the Year under Review, the Group recorded a revenue of approximately RMB508.6 million (2022: RMB469.0 million), representing an increase of approximately RMB39.6 million, or approximately 8.4%. The sales volume of knitted fabrics and innerwear products for the Year under Review were approximately 4,670 tons and 28.6 million pieces respectively (2022: approximately 4,483 tons and 27.8 million pieces respectively). The increase of revenue was mainly due to the increase in sales of innerwear products from approximately RMB331.8 million in 2022 to approximately RMB370.2 million in 2023.

The sales of knitted fabrics amounted to approximately RMB136.6 million (2022: RMB137.2 million) representing approximately 26.9% (2022: 29.3%) of the total revenue for the Year under Review while the sales volume of knitted fabrics increased to 4,670 ton for the Year under Review (2022: 4,483 ton). The revenue generated from knitted fabrics products for the year ended 31 December 2023 was similar as 2022 because the unit selling price of the products slightly decreased. For the Year under Review, the sales of fabrics subcontracting process (including dyeing and pattern printing), which has a relatively lower unit selling price, increased from RMB39.3 million in 2022 to RMB52.2 million in 2023. Therefore, in the Year under Review, the overall sales of knitted fabrics slightly decreased even the sales volume increased.

## MANAGEMENT DISCUSSION AND ANALYSIS

Sales of innerwear products amounted to approximately RMB370.2 million (2022: RMB331.8 million), representing approximately 72.8% (2022: 70.7%) of the total revenue for the Year under Review. An increase in sales of innerwear products in the amount of approximately RMB38.4 million was recorded for the Year under Review. The sales volume of innerwear products increased from approximately 27.8 million pieces for the year ended 31 December 2022 to approximately 28.6 million pieces for the Year under Review. The increase in the sales and sales volume was mainly due to the recovery of economic environment and the demand increased accordingly.

For the Year under Review, the space measurement business contributed a revenue of approximately RMB1.8 million.

### *Cost of sales*

Cost of sales increased by approximately 8.3% from approximately RMB372.4 million for the year ended 31 December 2022 to approximately RMB403.2 million for the Year under Review. The increase in overall cost of sales was mainly due to the increase in sales of the Group's innerwear products for the Year under Review. The cost of sales of knitted fabrics and innerwear products changed from RMB128.0 million and RMB244.4 million, respectively for the year ended 31 December 2022 to RMB126.1 million and RMB276.0 million, respectively for the Year under Review.

### *Gross profit and gross profit margin*

Gross profit increased by approximately RMB8.8 million, or approximately 9.0%, from approximately RMB96.7 million for the year ended 31 December 2022 to approximately RMB105.4 million for the Year under Review. The Group's gross profit margin slightly increased from approximately 20.6% for the year ended 31 December 2022 to approximately 20.7% for the Year under Review.

The Group's gross profit and gross profit margins by knitted fabrics and innerwear products for the Year under Review, with corresponding comparative figures for the year ended 31 December 2022, are as follows:

	Year ended 31 December			
	2023	2023	2022	2022
	Gross	Gross	Gross	Gross
	profit	profit	profit	profit
	margins	margins	margins	margins
	RMB'000	%	RMB'000	%
	(Audited)		(Audited)	
Knitted fabrics	10,535	7.7	9,234	6.7
Innerwear products	94,194	25.4	87,459	26.4
Space measurements	720	41.1	–	–
Total	105,449	20.7	96,693	20.6

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Other income and gains*

Other income and gains amounted to approximately RMB3.9 million (2022: RMB9.4 million) for the Year under Review which were mainly exchange gain, and sales of scrap materials. The decrease in other income and gains was mainly due to the decrease in reversal of impairment loss on trade receivables. For the Year under Review, RMB0.4 million reversal of impairment loss on trade receivables was noted (2022: RMB4.1 million).

### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately RMB2.5 million to approximately RMB24.7 million (2022: RMB22.2 million) for the Year under Review. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff. Increase in selling expenses was mainly due to the increase in sales volume of innerwear products for the Year under Review.

### *Administrative expenses*

Administrative expenses increased by 17.0% to approximately RMB84.6 million (2022: RMB72.3 million) for the Year under Review. Administrative expenses mainly represented staff salaries and welfare expenses, social insurance, depreciations and research and development expenses. The increase in the administrative expense was mainly due to the increase in research and development expenses. As the Group acquired the new space measurement business during 2023, which required relatively high intensity of research and development activities to maintain the compatibility of the business, research and development expenses of RMB6.2 million was recorded in the Year under Review (2022: Nil).

### *Finance costs*

Finance costs increased to approximately RMB5.8 million (2022: RMB5.3 million) for the Year under Review, primarily due to the increase in average borrowing during the Year under Review.

### *Loss before tax*

The Group's loss before tax was approximately RMB2.3 million (2022: profit before tax of approximately RMB6.3 million) for the Year under Review primarily due to the increase in administrative expenses and decrease in other income and gains. The gross profit increased from RMB96.7 million for the year ended 31 December 2022 to RMB105.4 million for the Year under Review. However, the other income and gains decreased by RMB5.5 million to RMB3.9 million for the Year under Review (2022: RMB9.4 million). The administrative expenses increased by RMB12.3 million to RMB84.6 million of the Year under Review (2022: RMB72.3 million).

### *Income tax expense*

Income tax expense increased to approximately RMB7.4 million (2022: RMB6.4 million) for the Year under Review. The Group's effective tax rate for the Year under Review was approximately negative 318.2%, as compared to approximately 102.5% for the year in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Loss for the year*

The Group recorded a loss of RMB9.7 million for the Year under Review as compared with a net loss of approximately RMB0.2 million for the year ended 31 December 2022, which was mainly due to the decrease in profit before tax of approximately RMB8.6 million for the Year under Review as mentioned in the above paragraphs, netting off the increase in income tax expense of approximately RMB0.9 million for the Year under Review.

### *Inventories*

The inventory balances maintained at approximately RMB68.7 million as at 31 December 2023 (2022: RMB68.8 million). The management actively controls the inventory level of the Group to mitigate the inventory risk.

The average inventory turnover days maintained at approximately 62 days (2022: 77 days) for the Year under Review.

### *Trade and bills receivables*

Trade and bills receivables increased to approximately RMB47.3 million (2022: RMB35.9 million) as at 31 December 2023. The increase in trade and bills receivables was mainly due to the increase in sales activities on December 2023 as compare to the same period in 2022.

The average trade receivables turnover days decreased to approximately 27 days (2022: 29 days) for the Year under Review. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

### *Trade and bills payables*

Trade and bills payables increased to approximately RMB96.5 million (2022: RMB76.2 million) as at 31 December 2023. The average turnover days for trade and bills payables increased to approximately 78 days (2022: 67 days) for the Year under Review which were in line with the trade credit periods given by the suppliers of the Group.

### *Liquidity and financial resources*

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2023, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.2 (as at 31 December 2022: 1.5). As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB270.1 million (as at 31 December 2022: RMB228.0 million) and short-term bank loans of approximately RMB103.0 million (as at 31 December 2022: RMB103.0 million). As at 31 December 2023, the Group's gearing ratio (calculated as total debts as at year end divided by total assets for the year x 100%, while debts are defined to include current and non-current interest-bearing borrowings) measured on the basis of total interest-bearing loans was approximately 25.4%, as compared to approximately 20.4% as at 31 December 2022.

As at 31 December 2023, the Group had fixed rate bank loans and other loan of RMB55.0 million and RMB54.4 million (2022: RMB55.0 million and Nil) and variable rate bank loans of approximately RMB48.0 million (2022: RMB48.0 million). The effective interest rate on the Group's fixed rate borrowings was 3.65%-4.80%, and the effective interest rate for the Group's variable rate borrowings was 4.57%-5.00% per annum as at 31 December 2023 (2022: fixed rate: 4.80%; variable rates: 5.00% per annum). During the Year under Review, there was no material change to the Group's funding and treasury policy.

## MANAGEMENT DISCUSSION AND ANALYSIS

The majority of the Group's funds have been deposited in banks in China and licensed banks in Hong Kong. The management believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the next financial year.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

### *Interest rate and foreign currency exposure*

The Group is exposed to cash flow interest rate risks in relation to variable rate interest-bearing borrowings. The pledged bank deposits and bank balances also expose the Group to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. The management considers that the exposure of the pledged bank deposits and bank balances to cash flow interest rate risk is not significant as the Group does not anticipate significant fluctuation in the interest rate on bank deposits. To mitigate the impact of interest rate fluctuations, the Group will manage the interest expenses by financing with both fixed and variable rate debts, and will continually assess and monitor the Group's exposure to interest rate risk and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to foreign currency risk. A significant proportion of the Group's revenue was denominated in USD and certain trade and other receivables, cash and bank balances, trade and other payables and loan from a shareholder of the Company (the "**Shareholders**") are denominated in USD, Japanese yen and HK\$ respectively, while substantial operating expenses are denominated in RMB, and the Group's reporting currency is RMB.

The Group does not have a foreign currency hedging policy. In the event of currency fluctuations, the Group may have to increase its product pricing to compensate for the increase in cost of production. This would lower the Group's market competitiveness, on a price basis, for its products and could result in a decrease in revenue. In the future, the management will monitor foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

### *Contingent liabilities*

As at 31 December 2023, the Group had no material contingent liabilities.

### *Charges on group assets*

As at 31 December 2023, the Group's bank loans were secured by the Group's buildings and right-of-use assets of carrying amounts of approximately RMB71.3 million and RMB9.7 million, respectively (31 December 2022: RMB79.2 million and RMB10.0 million, respectively).

# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES

As at 31 December 2023, the Group employed approximately 2,200 employees. The total staff costs (including directors' and key managements' emoluments) of the Group for the Year under Review were approximately RMB150.0 million (31 December 2022: RMB139.7 million). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews for the employees and their salaries and bonuses are performance related. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

## FINAL DIVIDEND

No payment of a final dividend for the Year under Review was recommended by the Board (2022: Nil).

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group has acquired the Youying Group in May 2023 at a total consideration of RMB74.0 million, becoming its largest shareholder. The Youying Group is principally engaged in the provision of high precision space measurement and modelling services, provision of geospatial data measurement services, internal and external software development, city information modelling (CIM) underlying platform and system construction, and research and development, production, sales and technical assistance of industrial drone motors and lidar 3D high-precision measurement robots.

As disclosed in the announcements of the Company dated 8 May 2023 and 14 June 2023 (the "**Announcements**"), the existing shareholders of Youying have undertaken to Hainan Guangxun International Investment Co., Ltd. (the "**Investor**") that (i) the net profit of the Youying Group for the years ended 31 December 2023, 2024 and 2025 shall not be less than RMB25,000,000, RMB50,000,000 and RMB80,000,000 respectively; and (ii) the average net profit of Youying for the three years ended 31 December 2025 shall not be less than RMB51,670,000 (the "**Average Net Profit**").

Youying recorded a net loss for the year of approximately RMB13.5 million for the Year under Review, falling short of over RMB38.5 million as compared to the profit guarantee for the year ended 31 December 2023. The non-fulfilment of the profit guarantees was mainly due to the prolonged development and improvement of technology, as well as delays in application integration. Furthermore, Youying faced unexpected delays in realizing revenue because negotiations with potential customers extended longer than anticipated throughout 2023. Nonetheless, pursuant to the investment agreement, the existing shareholders are not subject to any compensation to the Investor for the time being, given such obligation would only arise if Youying is unable to fulfill the Average Net Profit. For details regarding the calculation of such compensation, please refer to the Announcements. Going forward, the Company will continue to involve in and monitor the operation of the Youying Group and comply with the relevant disclosure requirements regarding the progress on the fulfilment of the profit guarantee under the Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

Looking ahead to 2024, the world economy will face a new round of opportunities and challenges in the midst of an uneven recovery. This year is the “year of super election” in the world. A number of countries, including the United States, India, and Russia, will successively hold general elections, potentially reshaping the pattern of international relationships. This brings many uncertainties regarding the strategy for global economic development. In addition, the geopolitical situation remains unstable. The conflicts between Russia and Ukraine, as well as Israel and Palestine, have not been resolved, and tensions in the Red Sea region have escalated. These developments, in turn, further impact the pace of global economic recovery.

However, under the background that major economies such as Europe and the United States have shifted to the interest rate reduction cycle, global trade activities are expected to stabilise in 2024, and loose monetary policies are expected to stimulate the recovery of external demand. The Organisation for Economic Cooperation and Development (OECD) predicts that the growth rate of global GDP will be approximately 2.9% in 2024, while the growth rate of China’s GDP will be approximately 4.7%. While the direction of global trade remains to be seen, the outlook for China’s exports is positive. In recent years, China has promoted the implementation of the Regional Comprehensive Economic Partnership (RCEP) and expanded its reach to export markets such as the Middle East, Central Asia, Africa, and Latin America. By leveraging initiatives like the ‘Belt and Road’ and ‘BRICS+’, China has continuously increased its export scale to developing countries. The PRC government has also proposed policies to support the high-quality economic development of China, moderately increase fiscal policies, issue additional RMB1 trillion treasury bonds, and accelerate the construction of the “three major projects” (三大工程) of real estate, which all are expected to continue to be released this year.

In the future, the Group will drive both new and existing businesses. On the one hand, the Group will continue to focus on the core business of functional fabrics and lingerie, continue to expand its global marketing network, and actively explore market opportunities outside China, Japan and Italy, including the expansion to the United States, countries along the “Belt and Road” and emerging markets. At the same time, the Group has actively enhanced the accuracy, flexibility, and quality of its fabric and lingerie production. By streamlining processes, enforcing strict specifications, and reducing production costs, it aims to distinguish itself in the textile market.

On the other hand, the Group will seize the huge development opportunities of building smart cities in China, so that Youying Group will focus on the development of high-tech infrastructure and technical services for smart cities, and self-developed and advanced software and hardware, including high-precision space measurement drones and 3D high-precision laser radar measuring robots, for big data collection, analysis and sales. The Group will spare no effort in its development into a ‘digital space service provider and practitioner of digital China’. Building on its existing business, it aims to become a leading enterprise in smart city high-tech infrastructure technology services.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. WANG Bin**, aged 59, is a representative of the Twelfth National People's Congress of the PRC, a doctoral supervisor and a part-time professor at the Southwestern University of Finance and Economics, as well as a PRC certified public accountant. He received his doctorate degree in economics from Southwestern University of Finance and Economics in June 2003. Mr. Wang Bin had assumed different positions in government authority and state-owned enterprise including the deputy director of State-owned Assets Supervision and Administration Commission of the State Council of Sichuan Province in the PRC and the chairman of Sichuan Development Holdings Co., Ltd.\* (四川發展(控股)有限責任公司). Mr. Wang Bin has been serving as the vice chairman of Hainan Haide Industry Co., Ltd (海南海德實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000567), since October 2015 and served as general manager concurrently from October 2015 to September 2016.

Mr. Wang has entered into a service agreement with the Company under which he acts as an executive Director for an initial term of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Wang will receive from the Company a director's fee of HK\$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Wang for his directorship in the Company.

**Mr. SHU Dakun**, aged 57, graduated from Southwestern University of Finance and Economics, the PRC with a master's degree in business management in June 2005. He obtained fund practitioner qualification from the Securities Association of China in March 2018. He was employed by the Bank of Communications from May 1994 to May 2014, with his position last held as the president of the Heilongjiang branch. From June 2014 to June 2017, he was the chairman of the board of Glory Industrial Investment Fund Management Co., Ltd.\* (國辰產業投資基金管理有限責任公司). He was the vice president of Sichuan Financial Holding Group Co., Ltd.\* (四川金融控股集團有限公司) from July 2017 to August 2021. He has been the chairman of the board of Huasheng Asset Management Co., Ltd.\* (華昇資產管理有限公司) since September 2021, an executive director of Hainan Guangxun International Investment Co., Ltd.\* (海南廣迅國際投資有限公司) since August 2022 and the chairman of the board of Youying Intelligent Technology (Shenzhen) Co., Ltd\* (優鷹智能科技(深圳)有限公司) since May 2023.

Mr. Shu has entered into a service contract with the Company in relation to his appointment as an executive Director for an initial term of three years (subject to retirement by rotation and reelection at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than one month's notice in writing. Pursuant to such service agreement, Mr. Shu will receive from the Company a director's fee of HK\$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the Remuneration Committee from time to time.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. DU Shuwei**, aged 56, graduated from Zhongnan University of Economics in 1990 with a bachelor's degree in economics and graduated from Zhongnan University of Economics and Law with a master's degree in business administration in 2000. He graduated from Huazhong University of Science and Technology with a doctorate degree in management in 2009 and graduated from Université Grenoble Alpes of France with a master's degree in executive business administration in 2012.

Mr. Du served in Tongji Hospital of Tongji Medical University from July 1990 to September 2001. He worked as an accountant of the finance office from July 1990 to January 1996, a deputy director of the economic management office from January 1996 to January 1997, a director of the economic management office from January 1997 to March 1998 and a director of the finance office from March 1998 to September 2001. Mr. Du served as a chief accountant of Tongji Hospital of Huazhong University of Science and Technology from September 2001 to September 2008 and served as the vice president from September 2008 to January 2018. Since March 2018, Mr. Du has served as the vice president of Wintime Group Co., Ltd\* (永泰集團有限公司).

Mr. Du has entered into a service agreement with the Company under which he acts as an executive Director for an initial term of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Du will receive from the Company a director's fee of HK\$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Du for his directorship in the Company.

### NON-EXECUTIVE DIRECTOR

**Mr. ZHANG Yanlin**, aged 55, graduated from Zhongnan University of Finance and Economics in July 1990 with a bachelor's degree in economics. He served as the general manager of Shenzhen Hua Sheng Investment Development Co., Ltd. (深圳華晟投資發展有限公司) from July 2002 to October 2004. From August 2002 to November 2004, he held the position of supervisor at MyHome Real Estate Development Group Co., Ltd. (美好置業集團股份有限公司) (previously known as Celebrities Real Estate Development Group Co., Ltd. (名流置業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000667). From November 2004 to June 2008, Mr. Zhang Yanlin had worked as the director and general manager of Nanjing Xinsu Property Co., Ltd.\* (南京新蘇置業有限公司), the director of the office of the board of directors at Wintime Investment Holding Co., Ltd.\* (永泰投資控股有限公司), and the director, deputy general manager and representative chairman of Xuzhou Wintime Real Estate Development Co., Ltd.\* (徐州永泰房地產開發有限公司). Since November 2015, he has been serving as the assistant of the chairman and general manager of the corporate governance department of Wintime Holding. Since 10 August 2016, he has been serving as the chairman and general manager of Shenzhen Wintime Finance Lease Co., Ltd.\* (深圳市永泰融資租賃有限公司). Since 17 September 2016, he has been serving as a director and general manager of Wintime Technology Investment Co., Ltd.\* (永泰科技投資有限公司).

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang has entered into a service agreement with the Company under which he acts as a non-executive Director for an initial term of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Zhang will receive from the Company a director's fee of HK\$200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Zhang for his directorship in the Company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. XU Dunkai**, aged 72, was previously the president of the Alumni Association of Zhongnan University of Economics and Law, the vice chairman of Higher Financial & Economic Education Branch of China Higher Education Association, and the legal representative of the Education Development Foundation of Zhongnan University of Economics and Law. He graduated from Hubei Institute of Finance and Economics in January 1982 with a bachelor's degree in philosophy. He completed the main courses of master of science in economics in Wuhan University from September 1984 to July 1985. He is the Author of "The History of Enterprise Management Thought in the Period of the Republic of China" (《民國時期企業經營管理思想史》). He organized the compilation of the dictionary of "Financial Dictionary (Second Edition)" (《財經大辭典》(第二版)). He has also led a national social science foundation research project.

Mr. Xu was appointed by way of a letter of appointment for an initial term of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Xu will receive from the Company a director's fee of HK\$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Xu for his directorship in the Company.

**Ms. ZHAO Weihong**, aged 57, is currently the chief medical officer and professor of the First Affiliated Hospital with Nanjing Medical University (also known as Jiangsu Province Hospital). Ms. Zhao graduated from Nanjing Medical University with a bachelor's degree in medicine in 1988, a master degree in medicine in 1999 and a doctorate degree in medicine in 2003.

From 1988 to 1994, Ms. Zhao served as a resident and teaching assistant at the First Affiliated Hospital with Nanjing Medical University (also known as Jiangsu Province Hospital)\* (南京醫科大學第一附屬醫院(亦稱作江蘇省人民醫院)). From 1994 to 1999, she served as a principal medical officer and a lecturer at the same hospital, and in 2000, she was promoted to associate professor, followed by another promotion to the deputy chief medical officer in 2001. She has been the chief medical officer and professor of the hospital since 2007.

Ms. Zhao has been appointed as an independent non-executive Director by a letter of appointment for an initial term of three years, terminable by three months' notice from either party, with effect from 30 September 2020, for which she is entitled to an annual director's fee of HKD150,000. Ms. Zhao's remuneration is determined by the Board with reference to her duties and responsibilities as well as the prevailing market conditions and will be reviewed by the remuneration committee of the Board from time to time. As at the date of this report, no other benefits provided to Ms. Zhao for her directorship in the Company.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZHENG Bing**, aged 56, graduated from Sichuan Business Administration College\* (四川省工商管理學院), the PRC, with a master's degree in business administration in July 2002. He is a Certified Public Valuer and Certified Public Accountant practicing in the PRC. He was employed by the Ministry of Finance\* (財政局) of Panzhihua City, Sichuan Province, the PRC from July 1987 to December 1999 with his position last held as director. He was the business director of the southwest office of China United Assets Appraisal Company\* (中聯資產評估公司) from January 2000 to September 2006, and has been the chairman and a director of the southwest branch company of China United Assets Appraisal Company\* (中聯資產評估公司) since October 2006.

Mr. Zheng has entered into an appointment letter with the Company in relation to his appointment as an independent non-executive Director for an initial term of one year (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Zheng will receive from the Company a director's fee of HK\$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the Remuneration Committee from time to time.

### SENIOR MANAGEMENT

**Mr. LEE Yin Sing**, aged 43, is the chief financial officer and company secretary of the Company (the "**Company Secretary**"). Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over 14 years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from 2002 to 2007. He was appointed as an independent non-executive director of Lumina Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1162), in September 2017. Prior to joining the Group as its chief financial officer in August 2010, he worked as the financial manager of Proview International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 334), in 2009 during which he acquired experience in finance control, accounting and company secretarial matters. Mr. Lee graduated from the City University of Hong Kong in 2002 with a bachelor's degree in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2008.

**Mr. WANG Shao Hua**, aged 55, has over 24 years of experience in the knitting industry. He has been the general manager of Zhucheng Eternal Knitting Company Limited since May 2004 and was also appointed as its director in December 2009.

Mr. Wang graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained his junior college degree in textile (針織專業大學專科) in July 1987. He completed the part-time course in economic management in Shandong Provincial Party School of the Communist Party of China (中共山東省委黨校) during September 1993 to June 1996 and obtained his certificate.

He has also been a director of Zhucheng Yumin Knitting Company Limited since November 2004 and a director of Shandong Grand Concord Garment Company Limited since its establishment.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LIU Xin De**, aged 57, is a director of Zhucheng Eternal Knitting Company Limited and Zhucheng Yumin Knitting Company Limited. Mr. Liu is responsible for product management and equipment administration of Zhucheng Yumin Knitting Company Limited. He joined Zhucheng Eternal Knitting Company Limited in March 2001 as merchandiser and was promoted as an office manager in June 2003. Mr. Liu obtained his bachelor's degree in national economic management from Shandong University (山東大學) in July 1989.

**Ms. JI Tai Mei**, aged 54, is the deputy general manager in charge of product management of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the head of product planning department and concurrently as the assistant of general manager of Zhucheng Eternal Knitting Company Limited from June 2004 until April 2010. Prior to joining the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from September 1989 to May 2004 and assumed the position of manager of the garment workshop from July 1999. Ms. Ji obtained her junior college degree in accounting from Shandong TV University (山東廣播電視大學) in July 1994.

**Ms. ZHOU Li**, aged 51, is the deputy general manager of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the sales manager of Zhucheng Eternal Knitting Company Limited since December 2005 and was also appointed as assistant of general manager of Zhucheng Eternal Knitting Company Limited on 15 August 2007. Before her engagement with the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from August 1992 to October 2005 and was the deputy general manager of import and export department before she left the same. Ms. Zhou graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained her degree of secondary vocational school diploma in textile in July 1992. She also obtained junior college degree in economic management (經濟管理大學專科) after completing the 3-year distance learning course from Shandong Cadres Correspondence College (山東省幹部函授大學) in June 1996.

**Mr. CAI Yingjie**, aged 59, is one of the founders, the president and the chief technology officer of the Target Company, and is primarily responsible for the overall operations and management, and market and technology development of the Target Group. He has over 20 years of experience in the mobile and radar industry and business management. Prior to founding the Target Company in December 2011, Mr. Cai worked at various telecommunication companies in the PRC where he was responsible for operation, management, and research and development of technologies and products. Mr. Cai received a doctorate degree in signal and message processing from the University of Electronic Science and Technology of China.

**Mr. HONG Hao**, aged 56, is one of the founders, a vice president and the chief operating officer of the Target Company, and he is primarily responsible for overseeing the daily operations and product strategy of the Target Group. He has over 30 years of experience in the electronic industry and business management. Prior to founding the Target Company in December 2011, Mr. Hong worked at various companies in the PRC that is engaged in the electronic industry where he was responsible for overall operation, market development, and customer development.

**Mr. GUO Xiaolei**, aged 35, is a vice president of the Target Company, and he is primarily responsible for the overall business operations of the Target Group. He has over six years of experience in the BIM industry and business management. Prior to joining the Target Company, from November 2016 to October 2022, he was the founder and the chief executive officer of each of Jiangsu Flounder Digital Technology Co., Ltd.\* (江蘇比目魚數字科技有限公司) and Shenzhen Flounder Square Technology Co., Ltd.\* (深圳比目魚平方科技有限公司), both of which are primarily engaged in the provision of BIM services in the PRC. He received a bachelor's degree and master's degree in psychology from the University of California, Berkeley.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This Environmental, Social and Governance (“**ESG**”) Report (this “**Report**”) serves as a review on the efforts and achievements made by Greatime International Holdings Limited and its subsidiaries (the “**Company**”, together with its subsidiaries as the “**Group**”) for its sustainability issues in 2023. This Report discloses the Group’s policies and practices pertinent to sustainable development. As a platform for communication and to facilitate understanding with the Group’s stakeholders, this Report also contains information on actions taken in response to the major expectations and concerns of stakeholders. This Report is to be read in conjunction with the Corporate Governance Report in the Company’s 2023 Annual Report.

This Report has been approved by the board (the “**Board**”) of directors (the “**Directors**”) of the Company.

### *Reporting Boundary*

This Report covers the Group’s sustainability-related issues, as well as correlated policies, measures, and activities under the control of the Group. This Report covers the period from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). The entities covered in this Report mainly include the subsidiaries in Hong Kong, the People’s Republic of China (“**PRC**”) and the Republic of the Union of Myanmar (“**Myanmar**”). The physical boundary includes offices in the PRC and the factories in the PRC and Myanmar.

The Group focuses on innerwear products and knitted fabrics and is mainly an original equipment manufacturer (“**OEM**”) supplier. Its operation includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing. The Group’s major environmental impacts, as well as the social impacts, are generated from the activities relating to its operation in the PRC and Myanmar. Thus, the reporting boundary covers the factories in the PRC and Myanmar. The Group would continue to monitor its performance and provide comprehensive disclosure.

### *Basis of Preparation*

This Report was prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (“**ESG Guide**”) contained in Appendix C2 of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (“**SEHK**”). This Report has complied with the “mandatory disclosure requirements” and “comply or explain” provisions of the ESG Guide and adhered to the four reporting principles, which are “materiality”, “quantitative”, “balance” and “consistency” as the basis for preparation of the Report.

- **Materiality:** After the Group has conducted materiality assessment and collected stakeholders’ feedback, the importance levels of each sustainable development issue to the Group and stakeholders in 2023 were assessed, thus serving as the disclosure focus of this Report.
- **Quantitative:** The Group optimised the environmental and social data collection tools during the Reporting Period. Quantitative information along with the methodologies used are disclosed to reflect the Group’s performance, demonstrating the Group’s commitment to managing the environmental and social performance. In order to present the Group’s performance changes over the years, this Report also presents some historical data of the Group.
- **Consistency:** The methodologies used in this Report are generally consistent with those used in previous years. Where there are changes in relevant factors such as methodologies or key performance indicators, they are indicated in relevant sections.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Publication of this Report

This Report is available in both Traditional Chinese and English. Should there be any discrepancy between the Traditional Chinese version and the English version, the English version shall prevail. An electronic version of this Report can be accessed on the Group's website <http://www.greatimeintl.com> or the website of HKEX.

## Feedback to this Report

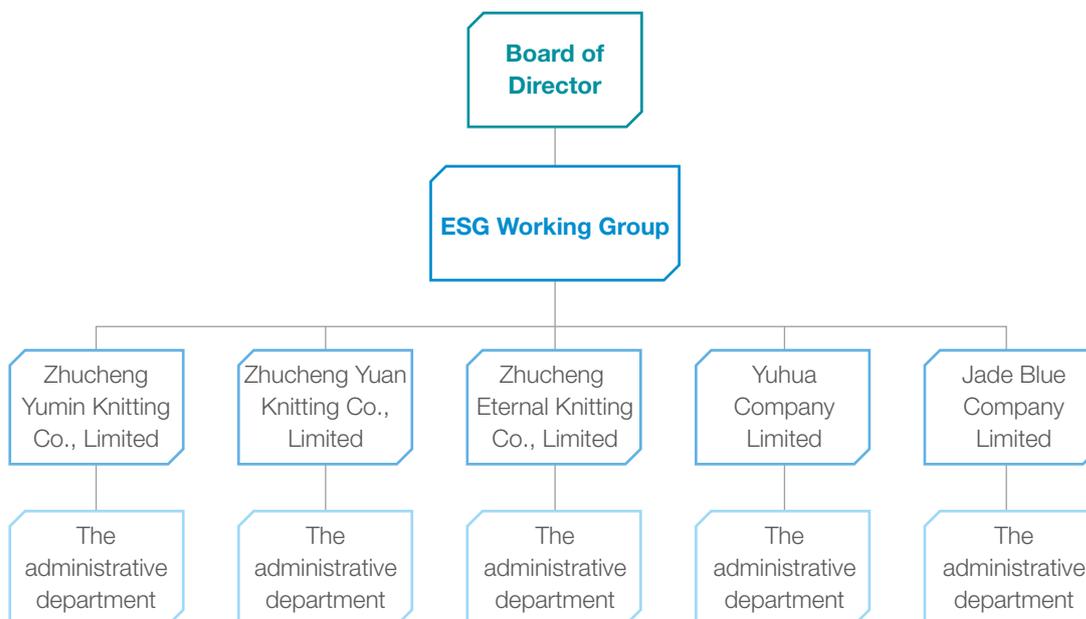
The Group will continually improve and enrich the contents and presentation of its ESG reports. Your feedback on the Group's sustainability performance is welcomed. Please email us at [info@greatimeintl.com](mailto:info@greatimeintl.com)

## ESG MANAGEMENT

In order to provide a management foundation and organisational safeguards for ESG issues, and for us to better fulfil the Group's social responsibilities to various stakeholders, the Group has established an ESG governance structure and formed a set of mature ESG working mechanisms and processes, and the Group actively carries out ESG risk identification and assessment work to better cope with complex environmental and social risks.

### ESG Management Structure

The Board recognises its responsibility to oversee ESG issues, which are as important as other corporate issues. The Group has established an ESG working group, aiming to assist the Board to manage ESG issues.



ESG Management Structure

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board, as the highest decision-making body for ESG-related issues, holds overall responsibility for the Group's ESG management approach and strategy.

The ESG working group is the body under the Board responsible for the implementation of ESG strategies and it directly reports to the Board. The ESG working group leader is appointed by the Chief Financial Officer. The ESG working group is comprised of senior management and employees from different departments who have sufficient knowledge of ESG issues.

The ESG working group is obligated to develop and review the Group's ESG management approach and management strategy, analyse the potential risks and opportunities of ESG material issues on the Group's business strategies in accordance with the Group's risk management and internal control systems, and set the Group's ESG-related targets and monitor the progress of achieving the relevant targets. Additionally, the ESG working group is responsible for developing and overseeing the Group's ESG-related work plans, and coordinating the implementation and execution of all ESG-related tasks by the relevant functional departments. The ESG working group shall prepare the annual ESG report and submit it to the Board for review.

### *ESG Risk Identification and Management*

The Group has carried out the ESG risk assessment to identify the potential ESG risks and related impacts on the Group's business strategies. Through the ESG risk assessment, the Group has evaluated relevant ESG risks and analysed the risk management situation and the room for improvement. Based on the results of the questionnaire analysis in which various departments were invited to participate in the risk assessment, the Group initially identified two relatively high level ESG risks during the Reporting Period, which are the product quality risk and the business concentration risk. For both risks, the Group has put in place related measures to avoid or minimise the impact.

To progressively incorporate the ESG risk management into the Group's risk management system, the Group would conduct frequent risk assessments, build a solid ESG risk management system, and keep up improving its ESG risk management procedures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Stakeholder Engagement

The Group adheres to the principles of honesty, equality and transparency in communication, attaches importance to communication with stakeholders and respects their aspirations. The Group has established and are continuously improving its stakeholder communication and engagement mechanisms. Thus, the Group interacts with its stakeholders through the diversified communication channels as shown in Table 1. Through these communication channels, the Group maintains a good understanding of the expectations and concerns of stakeholders, and hence allows the Group to further develop and optimise its sustainable development strategies.

Table 1 Expectations of Major Stakeholders and the Channels of Communication

Stakeholders	Communication Channels	Expectations
Government and Regulatory Authorities	<ul style="list-style-type: none"> <li>On-site inspections</li> <li>Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>Consultation</li> <li>Annual report</li> <li>the Group's website</li> </ul>	<ul style="list-style-type: none"> <li>Complying with the laws and regulations</li> <li>Proper tax payment</li> <li>Promoting regional economic development and employment</li> <li>Information disclosure</li> </ul>
Major Shareholders	<ul style="list-style-type: none"> <li>Annual general meeting and other shareholder meetings</li> <li>Annual report and other announcements</li> <li>Email, telephone communication, and the Group's website</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable income and protection of shareholders' interests</li> <li>Protection of interests and fair treatment of shareholders</li> </ul>
Financial Institutions and Potential Investors	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Annual report and other announcements</li> <li>Email, telephone communication, and corporate's website</li> </ul>	<ul style="list-style-type: none"> <li>Information disclosure and transparency</li> </ul>
Retail Investors	<ul style="list-style-type: none"> <li>Annual report and other announcements</li> <li>Email, telephone communication, and the Group's website</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable return on investment</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Communication Channels	Expectations
Employees	<ul style="list-style-type: none"> <li>• Conferences</li> <li>• Training, seminars, and briefing sessions</li> <li>• Cultural and sport activities</li> <li>• Newsletters</li> <li>• Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding the rights and interests of employees</li> <li>• Decent working environment</li> <li>• Career development opportunities</li> <li>• Self-actualization</li> <li>• Health and safety</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Website, brochures, and annual report</li> <li>• Email and customer service hotline</li> <li>• Feedback forms</li> <li>• Regular meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Safe and high-quality products</li> <li>• Stable relationship</li> <li>• Information transparency</li> <li>• Business integrity and ethics</li> </ul>
Suppliers/Distributors	<ul style="list-style-type: none"> <li>• Business meetings, supplier conferences, phone calls, and interviews</li> <li>• Regular meetings</li> <li>• Reviews and assessment</li> <li>• Tendering process</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term partnership</li> <li>• Business honesty</li> <li>• Fairness and transparency</li> <li>• Information resource sharing</li> <li>• Risk reduction</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• On-site visits</li> <li>• Irregular meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Product quality management</li> </ul>
Peers/Industry Associations	<ul style="list-style-type: none"> <li>• Industry conferences</li> <li>• Site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Experience sharing</li> <li>• Fair competition</li> </ul>
Community	<ul style="list-style-type: none"> <li>• The Group's website, and ESG report</li> </ul>	<ul style="list-style-type: none"> <li>• Creating social benefits</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Materiality Assessment*

During the Reporting Period, the Group conducted the materiality assessment through survey, to better understand concerns and expectations of stakeholders.

### *Identifying the pool of ESG issues*

The Group has updated its pool of potential ESG issues for the Reporting Period based on the ESG Guide, issues of concern to peer companies, SASB<sup>1</sup> standard and material ESG issues from MSCI ESG ratings. The pool included 26 issues in total, of which 12 are environmental and 14 are social issues.

### *Conducting stakeholder questionnaire*

The Group invited internal and external stakeholders to participate in the survey to prioritise the potential ESG material issues. The Group received a total of 330 responses from shareholders, management, employees, customers and suppliers. Internal stakeholders ranked ESG issues based on their “importance to the Group”, while external stakeholders ranked them based on “importance to the stakeholders”.

### *Analysing the questionnaire results*

After collecting the responses, the Group launched an analysis of the questionnaire results. The analysis was conducted on two dimensions – “importance to the Group” and “importance to the stakeholders”, resulting in the identification of a total of 12 ESG material issues, including 6 environmental and 6 social issues.

### *Reviewing and validating materiality assessment results*

The Board and management of the Group participated in the materiality assessment and reviewed and confirmed the ESG material issues for the Reporting Period.

A materiality matrix was created to illustrate the relative importance of the ESG issues and to identify the material issues for the Group. The ESG issues located to the upper right corner of the materiality matrix were identified as material issues. The structure and disclosure of the Report were prepared to reflect the result of the materiality assessment.

<sup>1</sup> SASB, known as “Sustainability Accounting Standards Board”. SASB Standards are now a part of the International Financial Reporting Standards (IFRS) Foundation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



- |     |                               |     |  |
|-----|-------------------------------|-----|--|
| 1.  | Product Responsibility        | 13. | Corporate Governance and Risk Management                           |
| 2.  | Discharge and Management      | 14. | Health and Safety  |
| 3.  | Environmental Compliance      | 15. | Development of Sustainable Product                                 |
| 4.  | Customer Privacy Management   | 16. | Employee Development and Training                                  |
| 5.  | Chemical Usage and Management | 17. | Anti-Corruption  |
| 6.  | Water Usage and Efficiency    | 18. | Adopting Climate Change  |
| 7.  | Supply Chain Management       | 19. | Women Working Conditions and Discrimination                        |
| 8.  | Labour Standards              | 20. | Use of Packaging Materials   |
| 9.  | Employment and Welfare        | 21. | Green Raw Material Use and Improved Efficiency of Raw Material Use |
| 10. | Energy Usage and Efficiency   | 22. | Employee Engagement, Diversity and Inclusivity                     |
| 11. | Procurement                   | 23. | Intellectual Property Rights                                       |
| 12. | Waste                         | 24. | Product Carbon Footprint   |
|     |                               | 25. | Community Involvement and Contribution                             |
|     |                               | 26. | Ecosystems and Biodiversity  |

\* The issues in the blue area are the material issues identified.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the result of materiality assessment, the material issues of the Group were listed in Table 2.

Table 2 The Material Issues Identified and their Descriptions

<b>Material Issues (in descending order of materiality)</b>	<b>Brief Descriptions of the Issues for Communication with Survey Respondents</b>	<b>Section of the Report Responding to the Issue</b>
Product Responsibility	The management relating to the privacy matter of customers, advertising, labelling, intellectual property rights etc.	Responsible Operation – Product Responsibility
Discharge and Management	The management of emissions from production operations such as exhaust gases, greenhouse gases, waste, and sewage	Responsible For Environment – Environmental Impacts
Environmental Compliance	Development and implementation of environmental systems to enable operations to comply with environmental related policies and regulations	Responsible For Environment – Environmental Impacts
Customer Privacy Management	Measures taken to protect customer privacy	Responsible Operation – Quality Service
Chemical Usage and Management	Rational use and management of chemicals in production operations	Responsible Operation – Product Responsibility
Water Usage and Efficiency	Rational use of water resources in production and operation, water conservation, including the establishment of objectives, measures, and effectiveness of water resources application	Responsible For Environment – Conserving Resources
Supply Chain Management	Selection and assessment of qualified suppliers, identification, assessment and management of environmental and social risks in the value chain, etc.	Responsible Operation – Supply Chain Management
Labour Standards	The management relating to child labour and forced labour	Responsible For Employment – Employment and Labour Standards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Material Issues (in descending order of materiality)</b>	<b>Brief Descriptions of the Issues for Communication with Survey Respondents</b>	<b>Section of the Report Responding to the Issue</b>
Employment and Welfare	The management relating to the compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination etc.	Responsible For Employment – Employment and Labour Standards
Energy Usage and Efficiency	The rational use of energy, such as electricity and fuel, and energy conservation in the course of business operations, including energy efficiency targets, management measures and results	Responsible For Environment – Conserving Resources
Procurement	In procurement activities, promoting green and low-carbon concepts and considering environmental and social risk management	Responsible Operation – Supply Chain Management
Waste	Adopting appropriate emission reduction and management measures for waste generated in production and operation, including the establishment of waste emission targets, scientific treatment, classification and recycling of waste	Responsible For Environment – Environmental Impacts

## RESPONSIBLE OPERATION

The Group believes that the quality of products and services brings the ultimate competitiveness, and thus puts its full efforts to maintain the quality of its products. The Group also recognises the necessity in building up a close and long-term business relationship with its suppliers.

The material issues – “Product Responsibility”, “Customer Privacy Management”, “Chemical Usage and Management”, “Supply Chain Management” and “Procurement” are responded in this section.

### *Product Responsibility*

Upholding the notion that “The quality today determines the market tomorrow”, the Group aspires to grow into one of the leading Chinese functional fabric and innerwear manufacturers for major international apparel brands.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Product Health and Safety

The Group safeguards the safety of its products and the health of its consumers through responsible operations. Only dyes and chemicals approved to be sold and used by the relevant authorities in the PRC are selected and sourced from renowned chemical companies in the PRC and abroad. The chemical additives which contain banned chemicals in the European Union, the United States, Japan and the PRC are strictly prohibited from using in the Group's products.

Products including the knitted fabrics and baby wears are certified to meet the requirements of the STANDARD 100 by OEKO-TEX®, an international standard that tests for harmful substances such as azo dyes, formaldehyde, nickel, pesticides, and solvent residues to ensure harmlessness in human ecological terms. The subsidiary involving the management of textile security follows the criteria of Whitelist Management System according to GB18401-2010 for concentration limits of prohibited aromatic amine, certified by China National Textile & Apparel Council (CNTAC).



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Quality Control

The Group has built and continuously improved its quality management system, strengthened quality management in the whole process of production and operation, and always adhered to quality requirements. Various quality control related systems are adopted in the factories.

The Group has established various quality control policies, inspection requirements and procedures for various types of products, such as the *Product Inspection Specifications during Production*, the *Cotton Knitted Underwear Inspection Specifications*, the *Procedures for Inspection and Control of Inspection Facilities*, to ensure the Group has a rigorous control over the product quality and meets the legal requirements as well as customers' standards. The quality inspection department is responsible for the execution of the relevant policies, performing quality inspections on procured materials, semi-finished goods and finished products throughout different stages of production.

The procured materials for the fabric production mainly include cotton yarns and dyeing related materials, while the innerwear production involves the use of fabrics, sutures, buttons, and zippers. The procured materials shall pass the quality inspection before entering the warehouses, and be properly stored according to the Group's safety and quality requirements.

During production, the products need to meet the quality standards of customers, with the correct colours and designs. The products are inspected to be within the allowable range of size, clean, neat, and well made. For finished products, the Group conducts various testing such as physical, chemical and bacteria tests to assess product health and safety, appearances, functionality, and durability etc.

If procured materials, semi-finished goods or finished products are found defective, they will be handled and recorded according to the Non-conforming Product Control Procedures. For procured materials, handling methods include acceptance under concession, return, exchange, etc. For semi-finished or finished products, they would be accepted under concession, reworked, repaired, or disposed.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Intellectual Property Protection*

The protection of intellectual property rights is key to the development and manufacture of the Group's products. The Group established the *Management Regulation on Consumer-supplied Materials*, which prohibits the information provided from customers to be shared or used in other products or by any third parties. Employees are required to sign an agreement not to disclose any of the Group's proprietary intellectual property to any third parties. Other measures to protect intellectual property have been implemented in the Group, such as entering into non-disclosure agreements, implementing internal security systems and policies, and complying with relevant laws and regulations.

The labels attached to innerwear products are prepared according to the customers' requirements because the Group has no control over labelling as an OEM supplier. For knitted fabrics, the Group prepares the labels in accordance with relevant laws and regulations. Advertising is not considered as a material matter by the Group because of the Group's main role as an OEM supplier.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion, and property rights including intellectual property rights that would have a significant impact on the Group.

## *Quality Service*

### *Customer Privacy Management*

The Group understands the importance of privacy for the benefit of its customers and brand image. The information relating to customers and their products are treated as highly confidential. The Group's employees are not allowed to disclose any information of customers in any circumstances. Permission to access the information of customers has been set in the computer system of the Group and is granted to the authorised personnel only.

The Group neither experienced any customer data leakage nor received any complaints about inappropriate use of customer information during the Reporting Period that would have a significant impact on the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Complaint Processing and Product Recall*

The Group has established an accurate and unobstructed customer complaint channel and has established internal guidelines to handle customer complaints efficiently. The Group listens carefully to its customers' views and suggestions to ensure that their demands are met in a timely manner and that their interests are protected through qualified products and services.

The Group assigned its employees of the sales department to keep a close communication with every customer, to ensure high degree of customer satisfaction. Complaints received will be reported level by level to seek solutions if the customers' concern cannot be resolved. If the products that are delivered to customers are found to be unqualified or potentially unqualified, the Group will treat the issue seriously, and communicate with customers on how to resolve the problem. The sales department and the quality inspection department are responsible to undertake corrective and preventive measures correspondingly.

During the Reporting Period, no complaint on products was received from customers. No product sold was subject to recalls for safety and health reasons during the Reporting Period.

## *Supply Chain Management*

The Group actively builds close working relationships with suppliers and regards supplier selection as an important task. Meanwhile, the Group focuses on environmental and social risks at all stages of the supply chain. The Group encourages better social and environmental performance of its suppliers and subcontractors through supply chain management. *Internal Control Process of Procurement* was established by the Group to standardise the procedure of managing the supply chain and evaluating criteria including quality, price, delivery time etc.

The Group gives priority to environmental-friendly and good quality products to promote green procurement when sourcing and purchasing raw materials. Moreover, the Group has implemented the *Suppliers/Subcontractors Social Responsibility Control Procedure* ("**SSRCP**") to select suppliers and subcontractors based on their performance in social and environmental responsibility. The supply department of the Group is responsible for assessing the suppliers' and subcontractors' performance. The areas to be assessed include cases of child labour and forced labour, employees' wage and working hours, benefits such as paid leaves and insurance, fire safety provisions, availability of sewage discharge permit and waste sorting facilities. During the Reporting Period, all the suppliers and subcontractors were selected according to the SSRCP.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Procedures for evaluating the social and environmental performance of suppliers and subcontractors are as follows, as specified in SSRCP:

- The supply department examines the performance of suppliers and subcontractors by conducting documents review and on-site assessments.
- The supply department develops a file for each certified supplier and subcontractor, containing assessment results, supporting documents, and records of improvement, certifications related to social responsibility etc.
- All suppliers and subcontractors shall sign and commit to take their social and environmental responsibility as outlined in the SSRCP before signing a contract with the Group.
- The supply department performs site visits to suppliers and subcontractors for evaluating and recording their performance.
- Cooperation with suppliers and subcontractors will be terminated if the supply department discovers any cases of child labour, forced labour or any other violation of the laws and regulations concerning labour rights and social responsibility management. The supply department also conduct research on sub-providers of the suppliers and subcontractors in order to prevent child labour and forced labour in the workplaces of sub-providers.
- Suppliers and subcontractors will not be selected if they refuse to be examined on-site.

If a supplier or subcontractor either obtains Social Accountability 8000 (SA8000) or conform to the world-renowned procurement evaluation standard, the on-site assessment may be exempted only if they can provide relevant certificates or evaluation reports for cross-checking of claimed good performance.

### *Anti-corruption*

The Group holds a zero tolerance strategy for any corruption practices, and strictly prohibits bribery, extortion, fraud, money laundering, and other illegal acts with the highest standards of business ethics. The Group's employees have been informed to follow the rules stated in the labour contracts and the *Employee Handbook*. The anti-corruption related rules include but are not limited to the followings:

- Prohibiting existing employees from receiving any kind of benefit from the Group's suppliers or business partners.
- Requesting job applicants to declare the relationships with existing employees of the Group and its business partners, if any.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group formulated the *Policy on Resignation/Dismissal Audit System* that requires to assess and define the responsibilities of employees during his or her job tenure, including any risks and economic loss caused by misconducts and malpractices. The individuals who left the positions still have to bear the relevant responsibilities. Thus, the liabilities and business risks from the individuals who have left the positions are controlled, improving the accountability of the personnel and the protection of the Group's interests.

In addition, the Group established the *Policy on Reporting Management and Feedback System* and is committed to protecting the anonymity of whistle-blowers, providing protection against retaliation for whistle-blowers and remaining impartial during investigation. Whistle-blowers can use phone, messages, e-mails, letters, and other ways to report. The contact information of whistleblowing channel is disclosed. The human resources department is responsible for the management of the whistleblowing system and investigation of reported cases. No whistleblowing cases relating to anti-bribery and anti-corruption were received during the Reporting Period.

To improve the awareness of anti-corruption of employees, the Group attaches great importance to internal anti-corruption related trainings. Board members attend anti-corruption and bribery related trainings prior to their induction. The Group plans to update the anti-corruption and bribery related trainings for the Board and employees in the future.

During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud, and money laundering. There were neither on-going nor concluded legal cases regarding corrupt practices brought against the Group or its employees.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1 of this Report.

### RESPONSIBLE FOR ENVIRONMENT

The Group is deeply aware of its social responsibility and mission to protect the ecological environment while its business continues to grow. The Group actively responds to international and national calls for green development and are committed to building a green manufacturing system that is low-carbon, environmentally-friendly and energy-saving. Focusing on the industry of textile and apparel, the Group's operation includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing in the Group's production facilities in both the PRC and Myanmar. The major environmental impacts from the production activities are wastewater discharge, greenhouse gas ("GHG") emissions, hazardous and non-hazardous waste generation, and noise emission.

The material issues – "Discharge and Management", "Environmental Compliance", "Water Usage and Efficiency", "Energy Usage and Efficiency" and "Waste" are responded in this section.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Environmental Policy*

The Group attaches foremost importance to environmental compliance in the locations where it operates. The Group has standardised the environmental practices relating to environmental protection and resource efficiency, which have also been adopted by the subsidiaries accordingly. The major environmental policy of the Group is the *Policy on Environmental Operation and Management of Facilities* (“**EOMF**”). The EOMF was announced to all levels of employees and implemented in all factories. The Group’s employees are responsible for continually striving to minimise these impacts as set forth in EOMF.

According to EOMF, the Group strives to

- Promote and obey the environmental-related laws and regulations in the locations where it operates.
- Utilise natural resources and energy efficiently and reasonably.
- Control and eliminate pollution.
- Create a decent working and living environment.
- Reduce the ecological and environmental impacts of the Group’s operation and corresponding activities on adjacent areas.

The Group’s internal audit team is responsible for identifying measures related to environmental matters in order to manage and prevent environmental risks. The Group has kept broadening the scope of the green agenda and identifying opportunities for enhancing energy efficiency and adopting newly developed technologies to uphold sustainable development, environment-friendly and care attitude in the workplaces.

During the Reporting Period, the Group did not have any material violation of the laws and regulations relating to environmental protection. For more details on the Group’s compliance with relevant laws and regulations, please refer to Appendix 1 of this Report.

## *Environmental Impacts*

The Group’s factories are located in the areas for industrial purpose and the Group strives to minimise the environmental impacts in the areas to fulfil the environmental responsibility of the Group.

The Group define the environmental emergency as “a sudden or potential degradation of environmental quality, endangering public health and property, or causing ecological damage, or causing significant social impact, as a result of the release of pollutants or natural disasters, production safety accidents and other factors, resulting in the entry of pollutants or toxic and hazardous substances such as radioactive substances into the atmosphere, water bodies, soil and other environmental media”. Therefore, in order to effectively carry out environmental emergency work, the Group conducts an annual survey of emergency resources, identifies deficiencies in the project site and formulates rectification requirements accordingly, with the aim of protecting natural resources and minimising the negative impact on the ecological environment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Air Emissions*

The Group strives to ensure its air emissions are in strict compliance with relevant laws and regulations. Currently the major air emissions come from emission of vehicles and a forklift, and canteens. The boilers had been phased out, thereby no direct emission of air and GHG emissions have been generated from boilers during the Group's production and the Group has not set up relevant targets.

The major source of the Group's carbon footprint comes from the indirect GHG emissions from purchased electricity and steam.

During the Reporting Period, the total GHG emissions of the Group is 23,458.70 tCO<sub>2</sub>e. Direct emissions (Scope 1) were from the consumption of natural gas for domestic use, the consumption of petrol, diesel, and refrigerants. Indirect emissions (Scope 2) were from the use of purchased electricity and steam.

The Group has established *Air Emission Management* in order to standardise measures to reduce air emissions. The Group's solar photovoltaic power generation facility is now completed and operational, reducing GHG emissions from electricity use.

## *Wastewater*

The wastewater of the Group mainly comes from the irregular discharge generated from the processes of dyeing, finishing, and printing under its fabric production segment. The Group operates and maintains its own wastewater treatment facilities to treat the wastewater and reduce contaminants to acceptable levels before discharging it into the municipal wastewater treatment facilities. There are no direct discharges into the land. To ensure full compliance with relevant laws and regulations, the Group has adopted the following measures:

- Integrated wastewater treatment facilities are set up to collect and treat wastewater through a series of processes including deep sedimentation, biological contact oxidation, advanced Fenton oxidation processes and others.
- Real-time monitoring is in place via online detection devices installed at the wastewater outfalls, and the monitoring is connected to the environmental protection authorities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Hazardous and Non-Hazardous Wastes*

In strict compliance with relevant laws and regulations, the Group takes effective measures to ensure the safe and effective disposal of hazardous waste, reduce waste generation and promote the efficient recycling of non-hazardous waste to reduce the environmental impact caused by the waste generated from production and operation.

The subsidiaries in the PRC strictly comply with the *Administrative Measures for Hazardous Waste Transfer Manifests* and the *Administrative Measures for Permits to Handle Dangerous Wastes* to ensure proper approaches for the waste transportation and disposal. The hazardous wastes mainly include the wastewater sludge and inner packaging materials for dyeing auxiliaries, which are mainly generated from the production of Zhucheng Yumin Knitting Co., Limited, one of the subsidiaries of the Group. The Zhucheng Yumin Knitting Co., Limited has established the goal of compliant disposal of waste. Hazardous wastes are separately stored and recorded in the ledger. Sludge is collected and handled by qualified organisations and inner packaging materials for dyeing auxiliaries are sold for recycling. Other subsidiaries of the Group do not generate any hazardous waste.

To strengthen the management of the hazardous wastes generated by the Group, and minimise the impacts of leakage into air, soil or water in case of fire, explosion and other incidents, the *Hazardous Waste Emergency Contingency Plan* has been updated by the Group to provide guidance on the handling of such incidents. In case of such emergency, related personnel are designated to activate the emergency contingency plan and lead the emergency responses and rescues. In order to improve the ability to deal with emergencies, the Group regularly organises drills and exercises to deal with major accidents. In case of such emergencies, related personnel are designated to activate the emergency contingency plan and lead the emergency responses and rescues. Emergency trainings are also provided for employees from related divisions, including regular drills.

During the Reporting Period, the Group held an environmental accident drill in which all members of the emergency rescue team participated to test the plan, train the team and effectively enhance the emergency response capability at all levels.

Non-hazardous wastes generated by the Group primarily include domestic waste and waste paper. Non-hazardous wastes are collected and treated by the local environmental hygiene department. The Group uses various measures to reduce waste generation, including encouraging employees to reuse the materials such as paper and plastics, promoting e-office, and controlling the amount of paper for use.

## *Noise*

The Group generates noise from its operating machinery. To reduce the noise emitted, the Group implements physical insulation control and other mitigation measures. Sound insulation devices, sound arresters, and mufflers are installed, and trees are planted around the factories within the designated area to reduce noise pollution. Machinery which generates a considerable level of noise is prohibited to be operated during the breaks, noon time and night-time, and any extension of the length of operation time due to special circumstances must be reported and approved by relevant departments.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Conserving Resources*

Recognising the importance of sustainable use of resources, the Group makes every effort to minimise the consumption of resources while improving their utilisation and efficiency. The manufacturing of innerwear products and knitted fabrics consumes a considerable amount of electricity and water. The Group pursues a target of resource-saving with the purpose of reducing energy usage and hence operation cost. According to the *Policy on Social Responsibility Management System*, various energy and water conservation related practices are implemented to reduce the consumption of energy and water. Additionally, technologically advanced machinery is purchased for the Group's production to help improve the Group's energy efficiency and reduce its negative environmental impacts. In particular, the weaving machines, dyeing machines, pre-shrinking machines, stentering machines and flat screen and rotary screen-printing machines were sourced from the manufacturers in Japan, Germany, Italy, Hong Kong, and Taiwan.

### *Water Consumption*

The dyeing and finishing process in the daily operation requires a considerable amount of water among the business activities in the Group. The Group has established the target of enhancing the efficiency of water consumption. To enhance the management and efficiency of water, the Group has incorporated the concept of water conservation in daily operation. Condensate water from the dyeing process is reused. Besides, plants are irrigated by the rainwater captured through a rainwater harvesting system installed in the factories.

The Group's water is sourced from municipal water supply and underground water. There is no issue in sourcing water.

### *Energy Consumption*

The Group strictly monitors and controls its energy usage. The following measures have been implemented to enhance energy management and efficiency:

- Improving management mechanism of heating by monitoring temperature on the Group's premises.
- Setting up rules for employees on the premises. Turning off the lights, for instance, is required if employees leave the premise for more than an hour.
- Attaching signs beside all the electrical devices to remind employees of the importance of saving energy.
- Replacing non-energy efficient devices.
- Replacing conventional light bulbs with energy-saving light bulbs.
- Installing energy efficient motors in the factories.

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Besides, the Group encourages its employees to commute by public transport, bicycle, and vehicle that uses clean energy. The priority of usage of vehicle washing and parking facilities in the factories is given to the employees with vehicles either adopted clean fuels or rented from car-sharing.

The Group has installed solar photovoltaic for power generation, which has been put in use in the Reporting Period. During the Reporting Period, the power generated from solar photovoltaic facilities was 1,812,782 kWh, which increased by 27.68% compared to the number in 2022.

### *Packaging Materials*

The Group has no control over the usage of packaging materials for products ready for delivery due to the nature of its business mode. The Group, entering into contracts with customers, acts as a contractor to produce products according to the criteria stated in the contracts with no control over the specifications of products and the selections of packaging materials. The exceeded packaging materials are either returned to customers or kept in the factories for other suitable products.

Therefore, the total packaging material used for finished products is considered as immaterial for the Group and not reported in this Report.

### *Responding to the Climate Change*

As a responsible company, the Group understands that climate change affects the sustainable development of economies and societies. In line with the Group's green and low-carbon development strategy, the Group have taken a series of proactive initiatives to address climate change. Based on the weather conditions and physical location of the Group's operations, the Group has established the *Response to Severe Weather*, identified a number of climate risks that have a significant impact on its production operations and formulated targeted countermeasures with the aim of accelerating the Group's green transformation and continuously improving the Group's ability and resilience to address climate change risks.

In order to mitigate climate risks and safeguard the Group's employees and property, the Group has identified four extreme weather risks, assessed their impact and targeted management measures, as shown in the table below.

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Table 3 Extreme Weather Risks and Management Measures

<b>Extreme weather</b>	<b>Effects</b>	<b>Management Measures</b>
Heavy snow, freezing and low-temperature weather	<ul style="list-style-type: none"> <li>• Seriously affect the normal outdoor work, and prone to operational errors that lead to safety issues</li> <li>• Prone to freezing and cracking of water pipes and heating pipes</li> <li>• Icy roads may easily lead to traffic accidents</li> </ul>	<ul style="list-style-type: none"> <li>• Stop outdoor work</li> <li>• Clear snow from the plant</li> <li>• Set up anti-slip device</li> <li>• Maintain and repair equipment</li> </ul>
Windy or sandy weather	<ul style="list-style-type: none"> <li>• Pose a risk to safe use of electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Close the plant doors and windows in advance</li> <li>• Check all kinds of electrical lines after the windy and sandy weather</li> </ul>
High temperature	<ul style="list-style-type: none"> <li>• Outdoor personnel are prone to problems such as heatstroke</li> <li>• Great potential safety hazardous in the storage, handling and use of inflammables and explosives</li> <li>• Wires are prone to age</li> <li>• Easy to cause fire accidents</li> </ul>	<ul style="list-style-type: none"> <li>• Reasonably arrange working hours during hot weather to avoid hot periods for outdoor work</li> <li>• Distribute the articles for heatstroke prevention to outdoor workers</li> <li>• Sunshade measure for outdoor devices and power distribution box</li> <li>• Regular inspect and replace the fire-fighting facilities</li> <li>• Strictly use and manage the inflammables</li> </ul>
Heavy and continuous rainfall	<ul style="list-style-type: none"> <li>• Seriously disrupt outdoor work</li> <li>• Lead to problems with moisture in equipment, power lines and materials</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure good drainage</li> <li>• Regularly check electricity lines</li> <li>• Arrange electricians to be on duty on site for inspection</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## RESPONSIBLE FOR EMPLOYMENT

The Group understands that talent is the top productive force and the most valuable strategic resource for the development. The Group insists on putting people first, protecting the employment rights of the Group's employees while providing a healthy and safe working environment for them. The Group has set up diverse training programmes in the hope that the Group's employees will continue to grow in their work and help them to achieve self-fulfilment and develop together with the company.

The material issues – “Labour Standards” and “Employment and Welfare” are responded in this section.

### *Employment and Labour Standards*

The Group complies with relevant laws and regulations as well as labour-related regulations and policies in order to fully protect the rights and interests of employees. The Group has developed the internal regulation on *Labour Resources Management* and an internal Employee Handbook, which sets out the requirements for employee attendance, rest periods, induction, transfer, termination, company benefits and safety-related matters.

The recruitment and employment are conducted in a fair and equal manner. The recruitment process and employment decision focus on the job applicants' work experience, technical skills, and work performance without discrimination of any kind based on age, gender, nationality, race, sexual orientation, physical disability, or marital status. The Group also works towards a diverse workforce with various ethnicities, education background, work experiences, nationalities, and skills. The Group also recruits people with disabilities, to help them better integrate into the society. During the Reporting Period, the Group did not receive any complaint about unequal employment.

The Group has established the *Regulations on Labour and Personnel Management*. The Group prohibits the employment of child labour under the age of 16 in alignment with relevant laws and regulations. Job applicants are requested to provide their identity cards to ensure they reach the minimum legal working age. The Group also eliminates the occurrence of forced labour in order to adequately safeguard employees' rights and interests. During the Reporting Period, there were no cases of illegal child and forced labour found in the factories of the Group.

In terms of contracting and contract management, labour contracts or employment agreements will be signed between the Group and employees upon employment for one month. The termination of labour contracts and dismissal of employees are carried out in strict compliance with relevant laws and regulations to fully protect the rights and obligations of both employees and the Group.

In terms of remuneration and welfare, we offer the Group's employees a remuneration package with key components including basic salary, medical insurance, discretionary cash bonus, and retirement benefit scheme. The Group also offers welfare to the employees. Employees are entitled to the statutory holidays, paid annual leaves, sick leaves, casual leaves etc. Various benefits, such as subsidies on holidays and festivals, home leaves, free meals and transportation are provided to employees and free accommodation for female employees. Regarding the employee promotion, the Group examines the performance and competence of each employee to provide fair and adequate promotion opportunities.

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The Group values and regards the requests and opinions of its employees. To listen to employees' concerns and provide them a better working environment, a feedback system is set up to collect employees' comments and opinions regarding to the environment, catering, accommodation and transportation. Designated personnel from each office and human resources department are responsible for conducting quarterly surveying and solving problems if any. A suggestion box is also used to collect employees' opinions, and the Group responds to the feedback received weekly.

The Group also follows the internal regulation to set up a procedure to receive employees' complaints and feedback on all issues, including child labour and forced labour. If any cases of non-compliance are reported, an investigation will be carried out to settle the case and prevent the repetition. The Group will also consult with the child's guardians on avenues for his or her return to school.

The Group is committed to creating a happy workplace environment for its employees and organises a variety of activities to enhance the sense of belonging and cohesiveness in the workplace. The Group has organised activities such as annual dinners, knowledge competitions, leisure trips, outstanding employee awards competition, etc.

During the Reporting Period, the Group neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes over compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, nor experienced any material breach of or non-compliance with the applicable laws and regulations by the Group that would have significant impact on the business and operations of the Group.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1 of this Report.

### *Health and Safety*

The health and safety of employees is always the Group's top priority. The Group places great importance on it and is committed to creating a comfortable, healthy and safe working environment for its employees. On top of the compliance with relevant laws and regulations, the human resources policies and procedures are in place with the aim to provide employees with good working conditions and a safe and healthy workplace. The Group has internally developed the *Regulation on Governing the Corporate Labour, Safety and Hygiene Educational Management* ("LSHE"). The Group has established a production safety committee for the purpose of implementing LSHE and performing workplace safety management.

The Group has established procedures for operating machinery, such as garment cutters and dryers, and an industrial accident reporting mechanism. Machines and equipment are properly maintained or discarded according to relevant internal guidelines. Conveyor and moving parts are all covered properly. Besides, the Group also has electricity leakage protection, provides firefighting equipment, and posts safety alert signs in the factories. Employees are provided with protective equipment such as wire gloves, goggles, protective ear plugs and masks. Breaks are arranged for employees to exercise and take rest.

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The Group also pays attention to maintaining good indoor air quality for employees. To minimise the indoor air pollutants such as fabric dust and formaldehyde, various measures are taken:

- Source control: Control of the indoor humidity to reduce dust generation.
- Ventilation: Mechanical ventilation system and natural ventilation in place to reduce dust concentration; cleaning exhaust outlets regularly.
- Housekeeping and cleaning: Wet mopping the floor twice a day.

For fugitive gases such as VOCs, NO<sub>x</sub> and SO<sub>2</sub> generated from fabric printing and tentering, these processes take place in isolation with indoor working areas and the emission is treated by a purifier, so it will not affect the indoor air quality.

The Group organises regular safety trainings for its employees such as fire safety education, fire-fighting equipment skills operation training and fire drills to raise employees' safety awareness. Electricians are provided with electrical safety trainings regularly. Every new employee receives safety trainings before taking up their duties, covering topics such as fire safety, electrical safety, machinery operation, and housekeeping rules. Fire drills are conducted regularly including evacuation and firefighting. During the Reporting Period, the Group organised fire safety training and fire safety drills at Zhucheng Yumin Knitting Co., Limited, Zhucheng Yuan Knitting Co., Limited and Yutai Knitting Company Limited respectively to further strengthen employees' awareness of fire safety and enhance their ability to respond to emergencies.



Fire safety education



Fire evacuation and escape drill

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Fire-fighting equipment operation training and drills



Fire-fighting equipment operation training and drills

Every year, employees would receive annual general medical examinations. New employees would be provided with pre-employment health assessments. If health problems are identified, the Group would discuss with employees whether reassignment of job position is necessary.

Regular occupational hazards assessments are conducted to identify hazards in the factories and to ensure the safety measures are implemented appropriately. Moreover, the Group regularly teams up with customers to conduct safety inspections as a courtesy of continuously driving improvements in safety management. Customers are invited by the Group to conduct safety inspections on areas that they are most interested in. The inspection usually covers safety production procedures, maintenance of safety equipment and fire safety. The Group maintains a safe environment and has passed all safety requirements set by the customers.

There were no work-related fatalities in the past three years (including the Reporting Period). During the Reporting Period, the number of lost days due to work injury were 228. During the Reporting Period, the Group was not subject to any punishment by the government or and not involved in any lawsuit and there were no cases of fatality. For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1 of this Report.

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## *Development and Training*

The Group attaches great importance to talent development and is committed to providing a wide range of training programmes to help employees achieve personal improvement and a win-win situation for both the Group and the employees.

During the Reporting Period, the Group formulated and implemented a training plan for its employees as follows.

Table 4 2023 Training Plan

<b>Training Period</b>	<b>Target Party</b>	<b>Training Content</b>
Near March and September each year	New recruits in all factories	Introduction to the company, company welfare, safety and the company system
Off-season	Employees	Safety, fire and escape training
Off-season	Employees	Technical training, including professional knowledge and professional skills upgrading

In addition, the Group offers training to the Group's employees on topics such as legal, environmental and social responsibility, as follows.

Table 5 The Targeted Party and Corresponding Areas of Training

<b>Targeted Party</b>	<b>Areas of training</b>
The heads of divisions	<ul style="list-style-type: none"><li>• Environmental protection</li><li>• Social responsibility</li><li>• Laws and regulations</li><li>• Recruitment</li></ul>
The supervisors of production lines	<ul style="list-style-type: none"><li>• Social responsibility</li></ul>
The monitors of units of production lines	<ul style="list-style-type: none"><li>• Social responsibility</li></ul>

## **RESPONSIBLE ENTERPRISE**

As a responsible enterprise, the Group is concerned and interested in the development of the communities in which the Group operates and actively contributes to them. The Group enhances community engagement through activities on compliance, engagement and community investment to convey the Group's warmth and social impact.

During the Reporting Period, the Zhucheng Yumin Knitting Co., Limited donated 1,000 to celebrate Children's Day.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 1 THE GROUP'S COMPLIANCE WITH THE MATERIAL LAWS AND REGULATIONS DURING THE REPORTING PERIOD

### The Laws<sup>2</sup> and Regulations Corresponding to the Aspects in the *ESG Guide*

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#### Aspect A1: Emission

##### PRC

- *Environmental Protection Law of the People's Republic of China*
- *Environmental Protection Tax Law of the People's Republic of China*
- *Cleaner Production Promotion Law of the People's Republic of China*
- *Water Pollution Prevention and Control Law of the People's Republic of China*
- *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*
- *Soil Pollution Prevention and Control Law of the People's Republic of China*
- *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*
- *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry*
- *Integrated Emission Standard of Air Pollutants*
- *Wastewater Quality Standards for Discharge to Municipal Sewers*
- *Standard for Pollution Control on Hazardous Waste Storage*
- *Standard for Pollution Control of for General Industrial Solid Waste Storage and Disposal Sites*

##### Myanmar

- *Environmental Conservation Law*

#### Aspect B1: Employment

##### PRC

- *Labour Law of the People's Republic of China*<sup>\*B2, B4</sup>
- *Labour Contract Law of the People's Republic of China*
- *Labour Dispute Mediation and Arbitration Law of the People's Republic of China*
- *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China*
- *Regulation on Paid Annual Leave for Employees*

##### Myanmar

- *Myanmar Companies Law*<sup>\* B4, B6</sup>
- *Labour Organization Law*<sup>\* B2, B4</sup>
- *Settlement of Labour Dispute Law*
- *Employment and Skill Development Law*
- *Minimum Wage Law*
- *Payment of Wages Law*
- *Social Security Law*<sup>\*B2, B4</sup>

<sup>2</sup> Particular laws cover several issues provisioned in the Aspects; these laws are marked with an asterisk and codes of Aspects being covered.

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## **The Laws<sup>2</sup> and Regulations Corresponding to the Aspects in the ESG Guide**

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### **Aspect B2: Health and Safety**

*PRC*

- *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*
- *Work Safety Law of the People's Republic of China*
- *Provisions on the Supervision and Administration of Occupational Health at Work Sites*
- *Regulation on Work-Related Injury Insurance*

### **Aspect B4: Labour Standards**

*PRC*

- *Law of the People's Republic of China on the Protection of Minors*
- *Provisions on the Prohibition of Using Child Labour*

### **Aspect B6: Product Responsibility**

*PRC*

- *Trademark Law of the People's Republic of China*
- *Product Quality Law of the People's Republic of China*
- *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*
- *Regulation on the Implementation of the Trademark Law of the People's Republic of China*

### **Aspect B7: Anti-corruption**

*PRC*

- *Criminal Law of the People's Republic of China*
- *Anti-Money Laundering Law of the People's Republic of China*
- *Company Law of the People's Republic of China*

*Myanmar*

- *Anti-corruption Law*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 2 PERFORMANCE DATA

### Environmental Performance

#### Air Emissions

Air emissions <sup>3</sup>		Unit	2023	2022	2021
Sulphur oxides (SOx)	Amount	Kg	1.61	1.20	4.69
Nitrogen oxides (NOx)	Amount	Kg	1,418.76	1,290.36	1,351.57
Particulate matter (PM)	Amount	Kg	41.15	41.87	41.34

#### GHG Emissions

GHG emissions		Unit	2023	2022	2021
Scope 1 Direct emissions <sup>4</sup>	Amount	Tonnes CO <sub>2</sub> e	614.11	590.62	511.91
	Intensity <sup>5</sup>	Tonnes CO <sub>2</sub> e per RMB million revenue	1.21	1.26	1.19
Scope 2 Indirect emissions <sup>6</sup>	Amount	Tonnes CO <sub>2</sub>	22,844.59	21,927.78	28,412.02
	Intensity	Tonnes CO <sub>2</sub> per RMB million revenue	44.91	46.75	65.92

<sup>3</sup> The emission sources reported include combustion of fossil fuels from vehicles in the PRC and Myanmar, non-road mobile sources and cooking in the PRC. The estimation of emissions is based on the methods and emission factors provided in the Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial), the Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial) and the Manual on Methods and Factors for Accounting for Outputs and Discharges from Statistical Source Surveys published by the Ministry of Ecology and Environment of the PRC.

<sup>4</sup> The scope 1 GHG emissions reported includes vehicles, non-road mobile sources, cooking, and refrigerants in the PRC, and vehicles in Myanmar. The calculation of scope 1 emissions is based on the Guidelines for Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial), the Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial), published by National Development and Reform Commission of the PRC.

<sup>5</sup> The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2023 is RMB508.622 million.

<sup>6</sup> The scope 2 GHG emissions reported includes the electricity and steam consumed in the PRC and the electricity consumed in Myanmar. The calculation of the GHG emission from purchased steam is based on the Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial) by the National Development and Reform Commission of the PRC. The estimation of scope 2 emissions for purchased electricity in China in 2023 is based on the emission factors from the Notice on the Preparation of the Greenhouse Gas Emission Reporting and Management Work for Electricity Generation Industry in 2023-2025 issued by the Ministry of Ecology and Environment of the PRC. The scope 2 emissions for purchased electricity in Myanmar is estimated according to the GHG Protocol tool for Stationary Combustion published by World Resources Institute.

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### Wastewater

	Unit	2023	2022	2021
Amount of discharged wastewater	Tonnes	<b>443,067</b>	605,427	765,000
Contaminants in wastewater	Average COD concentration <sup>7</sup>	<b>70</b>	54.7	117.00
	Average ammonia nitrogen concentration <sup>8</sup>	<b>4.17</b>	3.05	5.60

### Hazardous and Non-Hazardous Wastes

	Unit	2023	2022	2021
<b>Hazardous waste</b>				
Sludge	Tonnes	<b>201.00</b>	165.00	287.00
Inner packaging bags for dyeing auxiliaries	Tonnes	<b>0.03</b>	0.02	0.37
Total amount of hazardous waste generated	Tonnes	<b>201.03</b>	165.02	287.37
Intensity of total hazardous waste generated	Tonnes per RMB million revenue	<b>0.40</b>	0.35	0.67
<b>Non-hazardous waste</b>				
Waste paper <sup>9</sup>	Tonnes	<b>3.19</b>	2.88	2.70
Domestic waste	Tonnes	<b>12.45</b>	10.35	9.10
Total amount of non-hazardous waste generated	Tonnes	<b>15.64</b>	13.23	11.80
Intensity of total non-hazardous waste generated	Tonnes per RMB million revenue	<b>0.03</b>	0.03	0.03

<sup>7</sup> COD is an important parameter in measuring wastewater quality, reflecting the capacity of water to consume oxygen during the decomposition of organic matter. The concentration of COD discharged shall not exceed 200 mg/L according to the requirement provisioned by the local authority.

<sup>8</sup> The concentration of ammonia nitrogen in wastewater shall not exceed 20 mg/L according to the requirement provisioned by the local authority.

<sup>9</sup> The amount shown in this Report is estimated from the paper usage.

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### Energy Consumption

Energy consumption	Unit	2023	2022	2021
<b>Direct energy consumption</b>				
Gasoline <sup>10</sup>	MWh	<b>410.12</b>	261.19	350.08
Diesel <sup>10</sup>	MWh	<b>563.83</b>	471.79	426.52
Natural gas <sup>11</sup>	MWh	<b>227.49</b>	166.98	665.67
Total consumption of direct energy	MWh	<b>1,201.45</b>	899.96	1,442.26
Intensity of total consumption of direct energy	MWh per RMB million revenue	<b>2.36</b>	1.92	3.35
<b>Indirect energy consumption</b>				
Electricity	MWh	<b>9,553.00</b>	9,287.78	12,213.88
Steam <sup>12</sup>	MWh	<b>44,438.81</b>	42,392.74	54,449.15
Total consumption of indirect energy	MWh	<b>53,991.80</b>	51,680.53	66,663.03
Intensity of total consumption of indirect energy	MWh per RMB million revenue	<b>106.15</b>	110.18	154.68

<sup>10</sup> The reporting scope of gasoline and diesel consumption from the vehicles used in the PRC and Myanmar, and non-road mobile sources in the PRC.

<sup>11</sup> The reporting scope of natural gas consumption includes factories with canteens in the PRC. No natural gas is used during the operation in Myanmar.

<sup>12</sup> No steam is purchased and consumed during the operation in Myanmar.

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## Water Consumption

		Unit	2023	2022	2021
Fresh water consumption <sup>13</sup>	Amount	Tonnes	<b>463,081</b>	383,274	705,063
	Intensity	Tonnes per million RMB revenue	<b>910.46</b>	817.14	1,635.92

## Social Performance

### Number and Turnover Rate<sup>14</sup> of Employees

		Workforce	Turnover rate
<b>By gender</b>	Male	400	25%
	Female	1,772	31%
<b>By employment type</b>	Full-time	1,849	–
	Part-time	323	–
<b>By age group</b>	30 or below	815	45%
	31–40	643	20%
	41–50	483	12%
	51 or above	231	15%
<b>By geographical region</b>	PRC	1,361	16%
	Myanmar	811	46%

<sup>13</sup> The reporting scope includes freshwater consumption by the factories in the PRC and Myanmar for operation and employees' drinking.

<sup>14</sup> The calculation method for the turnover rate is: Turnover rate (per category) = Employees in the specified category leaving employment/(Number of employees in the specified category by the end of the Reporting Period + Employees in the specified category leaving employment).

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### The Employees Trained

		Number of employees trained	Percentage of employees trained <sup>15</sup>
<b>By gender</b>	Male	271	17.90%
	Female	1,243	82.10%
<b>By employee category</b>	Senior management	5	0.33%
	Middle management	52	3.43%
	General employee	1,457	96.24%

### Total Training hours and Average Training Hours per Employee

		Total training hours	Average training hours per employee
<b>By gender</b>	Male	1,082	2.71
	Female	6,409	3.62
<b>By employee category</b>	Senior management	50	5.00
	Middle management	368	5.56
	General employee	7,063	3.37

### Number of Suppliers by Geographical Region

Geographical Regions		Numbers of Suppliers		Total
		Raw material suppliers	Packaging material suppliers	
<b>Mainland China</b>	Shandong Province	119	132	251
	Jiangsu Province	34	17	51
	Zhejiang Province	8	15	23
	Guangdong Province	2	10	12
	Shanghai	12	26	38
	Other places in Mainland China	12	9	21
<b>Myanmar</b>		30	11	41
<b>Hong Kong</b>		1	1	2
<b>Japan</b>		1	10	11

<sup>15</sup> The calculation method for percentage of employees trained is: the percentage of employees trained in the specified category = number of employees in the specified category who took part in training/number of employees who took part in training.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 3 ESG GUIDE CONTENTS INDEX

### Subject Areas, Aspects, General Disclosures and KPIs

Mandatory Disclosure Requirements	Section/Reasons for Omissions
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> <li>(i) a disclosure of the board’s oversight of ESG issues;</li> <li>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and</li> <li>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</li> </ul>
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles in the preparation of the ESG report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environment	Subject Areas, Aspects, General Disclosures and KPIs	Section/Reasons for Omissions
Aspect A1: Emission	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Appendix 1 Environmental Policy
	KPI A1.1 The types of emissions and respective emissions data.	Appendix 2 Environmental performance
	KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Impacts
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Impacts

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects, General Disclosures and KPIs

A. Environment	“Comply or explain” Provisions	Section/Reasons for Omissions
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Conserving Resources
	<p>KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p>	Appendix 2 Environmental performance
	<p>KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p>	Appendix 2 Environmental performance
	<p>KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.</p>	Conserving Resources
	<p>KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.</p>	Conserving Resources
	<p>KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.</p>	Conserving Resources
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer’s significant impact on the environment and natural resources.</p>	Responsible for Environment
	<p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	
Aspect A4: Climate Change	<p>General Disclosure</p> <p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p>	Responding to the Climate Change
	<p>KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</p>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social	“Comply or explain” Provisions	Section/Reasons for Omissions
<b>Employment and Labour Practices</b>		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</p> <p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p> <p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	Appendix 1 Employment and Labour Standards
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p> <p>KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <p>KPI B2.2 Lost days due to work injury.</p> <p>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.</p>	Appendix 1 Health and Safety

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects, General Disclosures and KPIs

B. Social	“Comply or explain” Provisions	Section/Reasons for Omissions
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p> <p>KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)</p> <p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>	Development and Training
Aspect B4: Labour Standards	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p> <p>KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.</p> <p>KPI B4.2 Description of steps taken to eliminate such practices when discovered.</p>	Appendix 1 Employment and Labour Standards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects, General Disclosures and KPIs

B. Social	“Comply or explain” Provisions	Section/Reasons for Omissions
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### Operating Practices

Aspect B5: Supply Chain Management	General Disclosure  Policies on managing environmental and social risks of the supply chain.	Appendix 2 Supply Chain Management
	KPI B5.1 Number of suppliers by geographical region.	
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects, General Disclosures and KPIs

B. Social	“Comply or explain” Provisions	Section/Reasons for Omissions
Aspect B6: Product Responsibility	<p data-bbox="392 584 600 605">General Disclosure</p> <p data-bbox="392 655 560 676">Information on:</p> <ul style="list-style-type: none"> <li data-bbox="392 724 651 745">(a) the policies; and</li> <li data-bbox="392 793 1139 853">(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p data-bbox="392 896 1139 957">relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress.</p> <p data-bbox="392 1000 1139 1060">KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p> <p data-bbox="392 1103 1139 1164">KPI B6.2 Number of products and service related complaints received and how they are dealt with.</p> <p data-bbox="392 1207 1139 1267">KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.</p> <p data-bbox="392 1310 1139 1371">KPI B6.4 Description of quality assurance process and recall procedures.</p> <p data-bbox="392 1414 1139 1474">KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.</p>	Appendix 1 Product Responsibility

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B. Social</b>	<b>Subject Areas, Aspects, General Disclosures and KPIs</b> <b>“Comply or explain” Provisions</b>	<b>Section/Reasons for Omissions</b>
Aspect B7: Anti-corruption	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p> <p>KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.</p> <p>KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.</p> <p>KPI B7.3 Description of anti-corruption training provided to directors and staff.</p>	Appendix 1 Anti-corruption
<b>Community</b>		
Aspect B8: Community Investment	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.</p> <p>KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>KPI B8.2 Resources contributed (e.g. money or time) to the focus area.</p>	Responsible Enterprise

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2023.

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its Shareholders. The Company has adopted the code provisions (the "**Code Provision(s)**") and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving high standards of corporate governance practices. During the year ended 31 December 2023, the Company has complied with the Code Provisions set out in the CG Code.

## BOARD

### *Responsibilities*

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performance as well as its overall corporate governance functions. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chairman. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Committees**"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

The types of decisions made by the Board include, among others, determining the Group's mission and corporate policy, providing its strategic direction and is responsible for the approval of strategic plans, approving the Company's financial statements, interim and annual reports, determining director selection, orientation and evaluation as well as regularly evaluating its own performance and effectiveness.

The day-to-day management, administration and operation of the Company are delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

### *Composition*

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises three executive Directors, namely Mr. Wang Bin, Mr. Du Shuwei and Mr. Shu Dakun, one non-executive Director, namely Mr. Zhang Yanlin and three independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Zhao Waihong and Mr. Zheng Bing. The biographies of the Directors are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

## CORPORATE GOVERNANCE REPORT

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Board is also characterised by significant diversity in areas of gender, professional backgrounds and skills. The Board formalised its existing diversity through the introduction of a board diversity policy, which is expected to bring further diversity in respect of business and financial experience to the Board for contributing to the effective direction of the Board.

The Nomination Committee will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Save as disclosed in the section headed "Biographies of Directors and Senior Management" on pages 17 to 21 of this report, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure that strong independence exists across the Board.

During the year ended 31 December 2023 and up to the date of this report, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmations of independence from the three independent non-executive Directors. The Board has assessed their independence and is satisfied that all the independent non-executive Directors are in full compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive Director, namely Mr. Zhang Yanlin entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Zhao Waihong and Mr. Zheng Bing, entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, 30 September 2020 and 1 August 2023, respectively. The non-executive Directors and the independent non-executive Directors are also subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

# CORPORATE GOVERNANCE REPORT

## *Training for Directors*

Every newly appointed Director shall receive an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by the Director. In addition, the package includes materials on the operations and business of the Group. The Company will subsequently arrange for a briefing as is necessary to ensure that the newly appointed Directors have a proper understanding of the business and operations of the Group and that they are aware of their responsibilities under the relevant laws, rules and regulations.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors are encouraged to enroll in and attend a wide range of professional development courses and seminars relating to the Listing Rules and corporate governance practices organised by professional bodies so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, all the Directors received trainings in the form of reading written materials and/or attending seminars with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2023.

## *Board meetings*

Board meetings are held regularly, at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance record of each member of the Board is set out in the section headed "Board Committees".

All Directors have access to the advice and services of the Company Secretary. All Directors have access to the senior management for enquiries and information when required. The Directors, upon reasonable requests, may also seek independent professional advice at the Company's expense.

The Board is of the view that the following mechanisms adopted by the Company are effective in ensuring that independent views and inputs are available to the Board:

- The Board is represented by sufficient number of non-executive Directors which meets the requirement of the Listing Rules.
- In assessing suitability of the Director candidates, the Board will consider their profiles, including their character, experience, qualifications and time commitment; the Board will also consider to the Board's overall composition and skill matrix as well as the Company's diversity policy.
- The Board will review each Director's time commitment to the Company's business annually.
- The Board will assess non-executive Directors' independence upon appointment and annually.
- Directors are required to abstain from voting in matters in which he has material interest.
- The Audit Committee, the Nomination Committee and the Remuneration Committee are authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the respective committee.

The quality of deliberations at meetings of the Board are reviewed during the annual evaluation of the Board's performance.

# CORPORATE GOVERNANCE REPORT

## *Practices and conduct of meetings*

Draft agenda of all Board meetings are made available to the Directors in advance.

Where practicable, notices of regular Board meetings and Committee meetings are served on all Directors at least 14 days before the meetings. Board papers are sent to all Directors at least three days before each Board meeting or Committee meeting to keep the Directors apprised of the latest developments and the financial position of the Company and to enable them to make informed decisions.

The Company Secretary is responsible for keeping minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction involving conflict of interests of a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates (as defined under the Listing Rules) have a material interest.

## *Directors and officers liability insurance*

Liability insurance for Directors and senior management of the Company was arranged by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

## *Corporate governance functions*

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2023 included developing and reviewing the Company's policies on corporate governance and making recommendations.

# CORPORATE GOVERNANCE REPORT

## *Model Code for Directors' Securities Transactions*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the year ended 31 December 2023.

## BOARD COMMITTEES

The Board established the Audit Committee and Remuneration Committee on 19 August 2011 and the Nomination Committee on 27 March 2012 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference or amended and restated terms of reference, where applicable. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each Committee reports the outcome of the Committee’s meetings to the Board for further discussions and approvals.

The majority of the members of each Committee are independent non-executive Directors. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company’s expenses.

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting during the year ended 31 December 2023 are set out below:

	Number of meetings attended/held				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b><i>Executive Directors</i></b>					
Mr. Wang Bin	6/6	–	–	3/3	1/1
Ms. Tian Ying	5/6	–	2/3	–	1/1
Mr. Du Shuwei	6/6	–	–	–	1/1
Mr. Shu Dakun	1/6	–	1/3	–	–
<b><i>Non-executive Director</i></b>					
Mr. Zhang Yanlin	4/4	–	–	–	1/1
<b><i>Independent non-executive Directors</i></b>					
Mr. Xu Dun Kai	4/4	2/2	3/3	–	1/1
Ms. Zhao Weihong	4/4	2/2	–	3/3	1/1
Mr. Hu Quansen	4/4	2/2	3/3	2/3	1/1
Mr. Zheng Bing	–	1/2	1/3	1/3	–

## CORPORATE GOVERNANCE REPORT

### *Audit Committee*

The Audit Committee comprises solely independent non-executive Directors, namely, Mr. Hu Quansen (resigned on 1 August 2023 and replaced by Mr. Zheng Bing), Mr. Xu Dunkai and Ms. Zhao Weihong. Ms. Zhao Weihong has become a member of the Audit Committee since her appointment as an independent non-executive Director on 30 September 2020. The Audit Committee is chaired by Mr. Hu Quansen and Mr. Zheng Bing who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All Audit Committee members hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the Audit Committee members is a former partner of the Company's existing external auditors.

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Group's audited financial statements and annual report for the year ended 31 December 2023 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

The Audit Committee has not taken any different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

At the committee meeting held on 26 March 2024, the Audit Committee concluded that it was satisfied with its review of the audit fee, process and effectiveness, independence and objectivity of SHINEWING (HK) CPA Limited. The Audit Committee has therefore made the recommendation to the Board that SHINEWING (HK) CPA Limited be re-appointed as the Group's external auditors at the forthcoming annual general meeting.

The Audit Committee met two times during the year ended 31 December 2023, in which the Audit Committee members reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports and assessed the external auditors for re-appointment. The Audit Committee meeting was attended by the Audit Committee members, the chief financial officer and the external auditors. The attendance record of each member of the Audit Committee is set out in the section headed "Board Committees" alone.

### *Remuneration Committee*

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Xu Dunkai and Mr. Hu Quansen (resigned on 1 August 2023 and replaced by Mr. Zheng Bing), and one executive Director, Ms. Tian Ying (resigned on 1 August 2023 and replaced by Mr. Shu Dakun). The Remuneration Committee is chaired by Mr. Xu Dunkai. The Remuneration Committee is responsible for, among other functions, making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the specific remuneration packages of all the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of the non-executive Directors; reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee met three times during the year ended 31 December 2023, in which the Remuneration Committee members reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for 2023 and made recommendations to the Board to approve the proposals on the fees of the independent non-executive Directors. The attendance record of each member of the Remuneration Committee is set out in section headed “Board Committees”.

For the year ended 31 December 2023, the remuneration of the senior management (excluding Directors) is listed as below by band:

<b>Band of remuneration</b>	<b>No. of persons</b>
Below RMB500,000	7
RMB500,001 to RMB1,000,000	6
RMB1,000,001 to above	3

Further details of the remuneration of Directors and five highest paid employees have been set out in notes 11 and 12 to the consolidated financial statements.

### *Nomination Committee*

The Nomination Committee comprises two independent non-executive Directors, namely, Ms. Zhao Weihong and Mr. Hu Quansen (resigned on 1 August 2023 and replaced by Mr. Zheng Bing), and one executive Director, Mr. Wang Bin. The Nomination Committee is chaired by Mr. Wang Bin.

The Nomination Committee is responsible for formulating the nomination policy for consideration of the Board and implementing the nomination policy laid down by the Board; reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; identifying and nominating individuals suitable qualified to become the members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the memorandum and articles of association of the Company or imposed by legislation.

During the year ended 31 December 2023, three meeting was held by the Nomination Committee. The major work performed by the Nomination Committee during the year included reviewing the Nomination Committee’s terms of reference, proposing appointment of Directors, reviewing the policy relating to term of appointment of the independent non-executive Directors, and recommending to the Board for approval of the continuation of the independent non-executive Directors’ term of appointment. The attendance record of each member of the Nomination Committee is set out in the section headed “Board Committees”.

## CORPORATE GOVERNANCE REPORT

The Group adopted a nomination policy (the “**Nomination Policy**”) on 23 January 2019. A summary of this policy is disclosed as below:

### *Selection Criteria*

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company’s business and corporate strategy
- any measurable objectives adopted for achieving diversity on the Board
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company
- such other perspectives that are appropriate to the Company’s business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning

### *Nomination Process*

#### *(a) Appointment of New Director*

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, redesignation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

## CORPORATE GOVERNANCE REPORT

- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

### **(b) *Re-election of Director at General Meeting***

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of director at the general meeting.

### *Company Secretary*

The Company Secretary, namely Mr. Lee Yin Sing, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2023. The details of the Company Secretary are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

### *Workforce diversity*

As at 31 December 2023, the Group had a total workforce of 2,172 employees, of which 18.4% (400) are males, and 87.6% (1,772) are females.

While we believe our future employee recruitment should predominantly be merit-based and do not consider it appropriate to set any target gender ratio for our workforce, we recognize and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

## **RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS**

The senior management has provided such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

## CORPORATE GOVERNANCE REPORT

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, inside information announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2023.

### AUDITORS' REMUNERATION

During the Year under Review, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service and agreed-upon procedures were approximately RMB959,000 and RMB221,000, respectively.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk management and internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective risk management and internal control.

#### *Processes used to identify, evaluate and manage significant risks*

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

##### *Risk Identification*

- Identifies risks that may potentially affect the Group's business and operations.

##### *Risk Assessment*

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

##### *Risk Response*

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

##### *Risk Monitoring and Reporting*

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

## CORPORATE GOVERNANCE REPORT

### *Main features of the risk management and internal control systems*

The internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by the human resources, information systems and financial practice. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all business units to guide their business operations. All business units are required to produce annual budgets for the senior management's approval. The heads of all business units are required to assess the risk factors attributed to their businesses. In addition, all business units shall submit monthly management reports with comparisons between actual and budget results and give explanations and solutions for major variances.

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

### *Processes used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects*

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

Extensive financial controls, procedures, self-assessment exercises and risk activities are reviewed by the Group's finance department, which is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring the existence of an effective internal control system in all business units. The finance department performs independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings and makes recommendations to improve the internal controls of the Group.

All key controls within the framework will be tested periodically by the finance department. External auditors will also test key controls for those processes which are most critical to producing complete and accurate financial reports. Semi-annual confirmations from chief executives of principal subsidiaries are obtained as to whether the internal controls are working properly and if any remedial actions are required on areas where control weaknesses are noted. External auditors also advise the senior management on whether the controls are in place and effective to ensure a proper financial controlling and reporting process of the Group.

## CORPORATE GOVERNANCE REPORT

The Board convened meetings periodically to discuss business risks, financial risks, compliance risks and operation and other risks. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year.

The Board has engaged APAC Compliance Consultancy and Internal Control Services Limited as its risk management and internal control review adviser (the “**IC Adviser**”) to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2023. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The IC Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

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

The Company’s general counsel assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 572 of the laws of Hong Kong) (the “**SFO**”). Executive Directors and General Counsel also may have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

## COMMUNICATIONS WITH SHAREHOLDERS

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group’s performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group’s business. The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, other members of the respective Committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company’s website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

# CORPORATE GOVERNANCE REPORT

## *Shareholders' Rights*

### *Convening an extraordinary general meeting*

Pursuant to article 10.3 of the articles of association of the Company, extraordinary general meetings of the Company (the “**EGM(s)**”) shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company. The EGMs may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### *Putting enquiries to the Board*

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at [ir@greatimeintl.com](mailto:ir@greatimeintl.com).

Shareholders are reminded to lodge their questions together with their detailed contact information in order to receive prompt response from the Company if it deems such response to be appropriate.

## CORPORATE GOVERNANCE REPORT

### *Putting forward proposals at Shareholders' meeting*

Shareholders can put forward proposed resolutions at a general meeting of the Company by lodging a written notice of his/her/its proposal ("**proposed resolution**") with his/her/its detailed contact information via email at the email address of the Company at [ir@greatimeintl.com](mailto:ir@greatimeintl.com).

The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will determine in its sole discretion whether the proposed resolution may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period shall not be less than 21 days in writing if the proposed resolution requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company; and not less than 14 days in writing if the proposed resolution requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

Shareholders may also lodge their proposed resolutions with the Company through the following means:

Hotline no.: 2818 1982

By post: Room 4408, 44/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

The Board has reviewed the implementation and effectiveness of the above shareholders communication measures. Having considered the multiple channels of communication and engagement in place, it is satisfied that these measures were effective during the Year.

## CONSTITUTIONAL DOCUMENTS

The Company's articles of association are available on the websites of the Company and the Stock Exchange. During the year ended 31 December 2023, there is no change in the Company's constitutional documents.

# REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands with limited liability under the Business Companies Act of the British Virgin Islands (2004) on 8 December 2010.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing of knitted fabrics and innerwear. Details of the principal activities of the Company's principal subsidiaries are set out in note 45 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

## PERMITTED INDEMNITY

The articles of association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and its state of affairs as at that date are set out in the consolidated financial statements on pages 93 to 100.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2023.

## DIVIDEND POLICY

On 23 January 2020, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

## REPORT OF THE DIRECTORS

### FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

The previous share option scheme of the Company adopted on 19 August 2011 expired on 23 November 2021. No option has been granted under the previous share option scheme. As a the date of this annual report, the Company has not adopted any other share scheme.

# REPORT OF THE DIRECTORS

## RESERVES

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

## DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution amounted to Nil (as at 31 December 2022: Nil).

## DIRECTORS

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

### *Executive Directors*

Mr. Wang Bin

Ms. Tian Ying (resigned on 1 August 2023)

Mr. Du Shuwei

Mr. Shu Dakun (appointed on 1 August 2023)

### *Non-executive Director*

Mr. Zhang Yanlin

### *Independent non-executive Directors*

Mr. Xu Dunkai

Ms. Zhao Weihong

Mr. Hu Quansen (resigned on 1 August 2023)

Mr. Zheng Bing (appointed on 1 August 2023)

In accordance with Article 14.2 and Article 14.18 of the Company's articles of association, Mr. Wang Bin, Mr. Shu Dakun, Mr. Zhang Yanlin and Mr. Zheng Bing will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 21 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Mr. Wang Bin, Mr. Du Shuwei and Mr. Shu Dakun entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, 1 November 2018 and 1 August 2023, respectively, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The non-executive Director, namely Mr. Zhang Yanlin entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Zhao Weihong and Mr. Zheng Bing, entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, 30 September 2020 and 1 August 2023, respectively.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and independent non-executive Directors, their remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 11 and 12, respectively, to the consolidated financial statements.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the service contracts and the Share Option Scheme as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent company, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the Directors and the chief executive of the Company did not have any interests and short positions in the Company's shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the year ended 31 December 2023 and up to the date of this annual report, enter into any arrangements, which would enable the Directors, their respective spouses or any of their minor children, to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors, their respective spouses nor their minor children, had been granted any rights or exercised such rights to subscribe for securities of the Company.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware of as at 31 December 2023, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall 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 of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company or any other members of the Group:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of shareholding</b>
Junfun Investment Limited	Beneficial owner	260,661,501 (L)	52.73%
Joint Full International Limited	Through controlled corporation	260,661,501 (L)	52.73%
永泰集團有限公司 (formerly known as 永泰控股集團有限公司)	Through controlled corporation	260,661,501 (L)	52.73%
永泰科技投資有限公司	Through controlled corporation	260,661,501 (L)	52.73%
南京永泰企業管理有限公司	Through controlled corporation	260,661,501 (L)	52.73%
Wang Guangxi	Through controlled corporation	260,661,501 (L)	52.73%
Guo Tianshu	Interest held by spouse	260,661,501 (L)	52.73%

Note:

(1) The letter "L" denotes long position in the shares.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons who/entities which had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Register required to be kept under section 336 of the SFO.

## REPORT OF THE DIRECTORS

### RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 41 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

### NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Junfun Investment Limited, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Junfun Investment Limited has complied with the non-competition undertaking during the year ended 31 December 2023.

### MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during the year.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

### PRE-EMPTIVE RIGHTS

There were no provisions of pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

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

### MAJOR SUPPLIERS AND CUSTOMERS

In the Year under Review, the Group's largest supplier accounted for 6.7% (2022: 5.7%) of the Group's total purchases. The Group's five largest suppliers accounted for 17.6% (2022: 15.2%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 46.5% (2022: 56.8%) of the Group's total sales. The Group's largest customer accounted for 11.2% (2020: 16.0%) of the Group's total sales.

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

#### *Key relationship with the customers and suppliers*

##### **(a) Customers**

The Group's customers are mainly based in Mainland China, Japan and the United State. We have maintained business relationships with most of them for more than five years. Consistent with usual industry practice, the Group does not enter into any long-term sales agreements with its customers, but will request them to place purchase orders with us for every season. Our team is committed to providing customers with high quality products and efficient after sales services. The Directors regard the interest of customers as one of our top priorities.

##### **(b) Suppliers**

We carefully select our suppliers based on various criteria, including but not limited to: (i) the quality of the products supplied by them; (ii) their ability to deliver products to us in a timely manner; and (iii) their reputation in the industry. We have maintained business relationships with most of our suppliers for more than five years.

The Directors consider that it is commercially beneficial to build up a close and long-term business relationship with our suppliers as our long-term collaboration would allow us to provide reliable and quality products to our customers.

## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The terms of reference of the Audit Committee have been revised on 23 January 2019. The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; monitoring integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2023. The consolidated financial statements for the year ended 31 December 2023 have been audited by the Company's external auditors, SHINEWING (HK) CPA Limited.

### CORPORATE GOVERNANCE

The Company has published its corporate governance report, which is set out on pages 64 to 77 of this annual report.

### AUDITOR

During the year, SHINEWING (HK) CPA Limited were appointed as the external auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as the external auditors of the Company.

On behalf of the Board

**Wang Bin**

*Chairman*

Hong Kong, 26 March 2024

# INDEPENDENT AUDITOR'S REPORT



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

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

## TO THE SHAREHOLDERS OF GREATIME INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the British Virgin Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Greatime International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 93 to 202, which comprise the consolidated statement of financial position as at 31 December 2023, 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 and other explanatory 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

## INDEPENDENT AUDITOR'S REPORT

### *Impairment of trade receivables*

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 123 to 127.

#### **The key audit matter**

#### **How the matter was addressed in our audit**

As at 31 December 2023, the Group has trade receivables of approximately RMB46,576,000, net of loss allowance of approximately RMB2,308,000.

We have identified impairment of trade receivables as a key audit matter due to its significance to the consolidated financial statements and the measurement of expected credit loss involves the Group's significant degree of judgment and a number of assumptions are applied to develop the expected credit losses ("**ECL**") models for calculating the impairment provision.

Our procedures were designed to review management's assessment on the ECL model on trade receivables.

We have reviewed and assessed the application of the Group's policy for calculating the ECL.

We have evaluated the methodologies and inputs used to estimate the impairment of trade receivables and evaluated the appropriateness of techniques and methodology in the ECL model against the requirements of HKFRS 9.

We have also challenged and assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including subsequent settlement and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

## INDEPENDENT AUDITOR'S REPORT

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

Refer to note 15 and 17 to the consolidated financial statements and the accounting policies on pages 129 to 130.

#### **The key audit matter**

#### **How the matter was addressed in our audit**

As at 31 December 2023, the Group has property, plant and equipment and right-of-use assets of approximately RMB128,335,000 and RMB23,979,000 respectively.

The valuation process was inherently subjective and dependent on a number of estimates. The Group engaged an external valuer to assist the valuation for the property, plant and equipment and right-of-use assets in determining the recoverable amount.

We have identified impairment of property, plant and equipment and right-of-use assets as a key audit matter due to its significance to the consolidated financial statements and the assessment involves the management's significant degree of judgment.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing.

Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included:

We have understood the methodologies to estimate value in use. We have assessed the reasonableness of the valuation methodology by challenging the assumptions used for preparing the future cash flow forecast, including the sales growth rates and gross profit margin against latest market expectations.

We have checked on a sample basis, the accuracy and appropriateness of the input data such as information of property, plant and equipment and right-of-use assets and historical data.

We have assessed the key assumptions and input data used by management to estimate value in use based on our knowledge of the business and industry.

We have considered the potential impact of reasonably possible downside changes in these key assumptions.

## INDEPENDENT AUDITOR'S REPORT

### *Impairment of goodwill*

Refer to note 18 to the consolidated financial statements and the accounting policies on pages 109 to 110.

#### **The key audit matter**

#### **How the matter was addressed in our audit**

As at 31 December 2023, the Group has goodwill of approximately RMB25,790,000.

We have assessed the management's impairment testing.

Management performs impairment testing annually for the cash generating units (the "CGU") to which the goodwill was allocated. The calculation of the CGU's recoverable amount is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, budgeted margin, revenue growth rate and discount rate, which are sensitive to expected future market conditions and the CGU's actual performance.

Our procedures in relation to management's impairment assessment of goodwill included:

We have understood the methodologies to estimate value in use. We have assessed the reasonableness of the valuation methodology by challenging the assumptions used for preparing the future cash flow forecast, including the sales growth rates and gross profit margin against latest market expectations.

We have identified impairment of goodwill as a key audit matter due to its significance to the consolidated financial statements and the assessment involves the management's significant degree of judgment.

We have checked on a sample basis, the accuracy and appropriateness of the input data such as information of the CGU and historical data.

We have assessed the key assumptions and input data used by management to estimate value in use based on our knowledge of the business and industry.

We have considered the potential impact of reasonably possible downside changes in these key assumptions.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

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

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

We also provide 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 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 Hon Kei, Anthony.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

26 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	5	<b>508,622</b>	469,044
Cost of sales		<b>(403,173)</b>	(372,351)
Gross profit		<b>105,449</b>	96,693
Other income, gains and losses, net	7	<b>3,941</b>	9,374
Gain on derecognition of contingent consideration payable	29	<b>3,400</b>	–
Selling and distribution expenses		<b>(24,704)</b>	(22,195)
Administrative expenses		<b>(84,618)</b>	(72,334)
Finance costs	8	<b>(5,779)</b>	(5,275)
<b>(Loss) profit before tax</b>		<b>(2,311)</b>	6,263
Income tax expense	9	<b>(7,353)</b>	(6,419)
<b>Loss for the year</b>	10	<b>(9,664)</b>	(156)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<b>1,513</b>	(3,114)
Other comprehensive income (expense) for the year		<b>1,513</b>	(3,114)
<b>Total comprehensive expense for the year</b>		<b>(8,151)</b>	(3,270)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(1,560)</b>	(156)
Non-controlling interests		<b>(8,104)</b>	–
		<b>(9,664)</b>	(156)
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(47)</b>	(3,270)
Non-controlling interests		<b>(8,104)</b>	–
		<b>(8,151)</b>	(3,270)
<b>Loss per share:</b>			
– Basic and diluted (cents)	14	<b>(0.32)</b>	(0.03)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	128,335	141,871
Investment property	16	2,212	2,655
Right-of-use assets	17	23,979	17,838
Goodwill	18	25,790	–
Contingent consideration receivable	19	30,000	–
Deposits paid to acquire property, plant and equipment		365	714
Deferred tax assets	20	1,560	1,084
		<b>212,241</b>	<b>164,162</b>
<b>Current assets</b>			
Inventories	21	68,729	68,773
Trade receivables	22	46,576	29,356
Bills receivables	23	679	6,541
Prepayments and other receivables	24	20,656	9,231
Income tax receivables		936	83
Restricted bank deposits and cash and bank balances	25	270,118	227,951
		<b>407,694</b>	<b>341,935</b>
<b>Current liabilities</b>			
Trade and bills payables	26	96,503	76,242
Accruals and other payables	27	53,863	36,817
Contract liabilities	28	9,948	8,396
Loan from a shareholder	30	4,583	4,454
Interest-bearing borrowings	31	157,400	103,000
Lease liabilities	17	4,071	1,825
Income tax payables		4,870	3,876
		<b>331,238</b>	<b>234,610</b>
<b>Net current assets</b>		<b>76,456</b>	<b>107,325</b>
<b>Total assets less current liabilities</b>		<b>288,697</b>	<b>271,487</b>
<b>Non-current liabilities</b>			
Lease liabilities	17	5,984	2,505
Deferred tax liabilities	20	225	558
		<b>6,209</b>	<b>3,063</b>
<b>Net assets</b>		<b>282,488</b>	<b>268,424</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Capital and reserves</b>			
Share capital	32	148,929	148,929
Reserves		119,448	119,495
<b>Equity attributable to owners of the Company</b>		<b>268,377</b>	268,424
Non-controlling interests	33	14,111	–
<b>Total equity</b>		<b>282,488</b>	268,424

The consolidated financial statements on pages 93 to 202 were approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

**Mr. Wang Bin**  
Director

**Mr. Shu Dakun**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Statutory reserve RMB'000 (Note (a))	Exchange reserve RMB'000	Special reserve RMB'000 (Note (b))	Other reserve RMB'000 (Note (c))	Retained earnings RMB'000	
As at 1 January 2022	148,929	41,326	(11,385)	(83)	5,800	87,107	271,694
Loss for the year	-	-	-	-	-	(156)	(156)
Other comprehensive expense for the year:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	(3,114)	-	-	-	(3,114)
Total comprehensive expense for the year	-	-	(3,114)	-	-	(156)	(3,270)
Appropriation to statutory reserve	-	1,180	-	-	-	(1,180)	-
As at 31 December 2022	148,929	42,506	(14,499)	(83)	5,800	85,771	268,424

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Statutory reserve	Exchange reserve	Special reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (a))		(Note (b))	(Note (c))				
As at 1 January 2023	148,929	42,506	(14,499)	(83)	5,800	85,771	268,424	-	268,424
Loss for the year	-	-	-	-	-	(1,560)	(1,560)	(8,104)	(9,664)
Other comprehensive expense for the year:									
Exchange differences arising on translation of financial statements of foreign operations	-	-	1,513	-	-	-	1,513	-	1,513
Total comprehensive expense for the year	-	-	1,513	-	-	(1,560)	(47)	(8,104)	(8,151)
Deemed capital injection from non-controlling interests of a subsidiary (Note 36)	-	-	-	-	-	-	-	24,000	24,000
Acquisition of a subsidiary (Note 36)	-	-	-	-	-	-	-	(1,785)	(1,785)
Appropriation to statutory reserve	-	2,929	-	-	-	(2,929)	-	-	-
As at 31 December 2023	148,929	45,435	(12,986)	(83)	5,800	81,282	268,377	14,111	282,488

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

## Notes:

### (a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's People's Republic of China (the "PRC") subsidiaries. In accordance with the relevant laws and regulations of the PRC and the articles of association of the Group's PRC subsidiaries, they are required to appropriate 10% of its net profits determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of China, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reached 50% of the respective companies' registered capital, any further appropriation is optional.

### (b) Special reserve

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiary acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interest in the subsidiary as part of the Group reorganisation.

### (c) Other reserve

On 7 March 2011, in recognition of the services of two senior executives of the Group's subsidiaries, Global Wisdom Capital Holdings Limited, being the Company's former holding company, transferred a total of 1,300,000 shares of the Company to the executives of the Company. The shares consideration was paid by the executives in cash by three installments which was fully settled on 7 March 2011, 7 March 2012 and 7 March 2013.

The transaction was accounted for as an equity settled share-based payment and accordingly, the difference between the fair value of past services rendered by the employees and the net present values of the consideration payable by the employees in respect of the share transferred, amounted to RMB5,800,000, was recorded as other reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(2,311)	6,263
Adjustments for:		
Depreciation of property, plant and equipment	22,674	24,864
Depreciation of right-of-use assets	5,208	3,188
Depreciation of investment property	443	443
Net gain on disposal of property, plant and equipment	(240)	(35)
Write-down of inventories	3,391	1,885
Reversal of impairment loss on amounts due from related companies	–	(7)
Reversal of impairment loss on trade receivables	(359)	(4,124)
Impairment loss on other receivables	3,732	–
Bad debt written off	–	1,035
Gain on derecognition of contingent consideration payable	(3,400)	–
Finance costs	5,779	5,275
Bank interest income	(1,033)	(786)
Interest income on financial asset measured at amortised cost	(516)	–
Government grants	(412)	(945)
Operating cash flows before movements in working capital	32,956	37,056
(Increase) decrease in inventories	(2,492)	18,141
(Increase) decrease in trade receivables	(16,600)	8,846
Decrease (increase) in bills receivables	5,939	(6,425)
Decrease (increase) in prepayments and other receivables	11,227	(1,904)
Increase in trade and bills payables	20,036	16,480
(Decrease) increase in accruals and other payables	(4,241)	12,972
Increase (decrease) in contract liabilities	1,441	(3,895)
Cash generated from operations	48,266	81,271
PRC income tax paid	(6,906)	(1,875)
Withholding tax paid	(556)	(757)
NET CASH FROM OPERATING ACTIVITIES	40,804	78,639

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
<b>INVESTING ACTIVITIES</b>			
Net cash outflow on acquisition of a subsidiary	36	(25,571)	–
Loan advance to a customer		(20,000)	–
Purchase of financial asset measured at amortised cost		(10,000)	–
Purchase of property, plant and equipment		(8,280)	(3,175)
Deposits paid to acquire property, plant and equipment		(365)	(716)
Loan repayment from a customer		20,000	–
Interest received		1,549	786
Proceeds from disposal of property, plant and equipment		411	482
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(42,256)</b>	<b>(2,623)</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings		(103,000)	(103,000)
Interest paid		(5,779)	(5,275)
Repayment of lease liabilities		(5,263)	(1,919)
New borrowings raised		157,400	103,000
Government grant received		412	945
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>43,770</b>	<b>(6,249)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>42,318</b>	<b>69,767</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>		<b>227,951</b>	<b>161,408</b>
Effect of foreign exchange rate changes		(151)	(3,224)
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances</b>		<b>270,118</b>	<b>227,951</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATION

Greatime International Holdings Limited (the “**Company**”), which acts as an investment holding company, was incorporated in the British Virgin Islands (the “**BVI**”) with limited liability under the Business Companies Act of the BVI (2004) (the “**Companies Act**”) on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business is located at Room 4408, 44/F, 183 Queen’s Road East, Wan Chai, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are engaged in the manufacturing of and provision of processing services on innerwear products and knitted fabrics and provision of space measurement services, industrial drones and measurement robots. Its immediate holding company is Junfun Investment Limited (“**Junfun**”) (incorporated in the Cayman Islands), and its ultimate holding company is Yongtai Technology Investment Company Limited (incorporated in the PRC). Its ultimate controlling party is Mr. Wang Guangxi.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its subsidiaries which were established and operated in the People’s Republic of China (the “**PRC**”). Other than those subsidiaries established in the PRC, the functional currency of subsidiaries established in Hong Kong and Myanmar are denoted in United States dollars (“**USD**”) and Myanmar Khamed (“**MMK**”).

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### *New and amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

*New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)*

### ***Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

### ***Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates***

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

### ***Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### *Amendments to HKFRSs issued but not yet effective*

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1 ( <i>Note</i> )	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### *Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity’s right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity’s own equity instruments.

Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group’s outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group’s liabilities.

### *Amendments to HKAS 21 Lack of Exchangeability*

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value, at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Basis of consolidation (Continued)*

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Investments in subsidiaries*

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

### *Business combinations or asset acquisitions*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

### *Assets acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### *Business combinations*

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Business combinations or asset acquisitions (Continued)*

#### *Business combinations (Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Business combinations or asset acquisitions (Continued)*

#### *Business combinations (Continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts recognised at the acquisition date are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### *Goodwill*

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Goodwill (Continued)*

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### *Revenue from contracts with customers*

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Revenue from contracts with customers (Continued)*

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

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

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

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

### *Contract liabilities*

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

The Group recognised revenue from the following major sources:

- sales of innerwear products, knitted fabrics
- provision of processing services on innerwear products and knitted fabrics
- provision of space measurement services, industrial drones and measurement robots

Revenue from sales of innerwear products and knitted fabrics is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Service income from provision of processing services on innerwear products and knitted fabric is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Revenue from provision of space measurement services, industrial drones and measurement robots is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of information modelling).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Foreign currencies*

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

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

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

### *Leasing*

#### *Definition of a lease*

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

#### *The Group as lessee*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Leasing (Continued)*

#### *The Group as lessee (Continued)*

##### *Lease liabilities*

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Leasing (Continued)*

#### *The Group as lessee (Continued)*

##### *Lease liabilities (Continued)*

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

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

##### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Leasing (Continued)*

#### *The Group as lessee (Continued)*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient for all leases.

##### *The Group as lessor*

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

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

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

##### *Retirement benefits costs*

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Short-term benefits and other long-term employee benefits*

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

### *Borrowing costs*

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

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

### *Government grants*

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

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

### *Taxation*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Taxation (Continued)*

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Taxation (Continued)*

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

Current and deferred tax are recognised in profit or loss.

### *Property, plant and equipment*

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

### *Ownership interests in leasehold land and buildings*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

### *Inventories*

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

### *Cash and cash equivalents*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments*

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

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

### *Financial assets*

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

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

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

### *Financial assets at amortised cost (debt instruments)*

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

##### *Financial assets at amortised cost (debt instruments) (Continued)*

Amortised cost and effective interest method

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

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

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

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

Interest income is recognised in profit or loss and is included in the “other income, gains and losses, net” line item (note 7).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

##### *Financial assets at FVTPL*

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other income, gains and losses, net' line item. Fair value is determined in the manner described in note 35c.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses 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. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

##### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the worldwide economic growth and global probability of corporate default, obtained from economic expert reports and financial analysts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (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 debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- 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, except trade receivables, 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. The Group rebutted the presumption of significant increase in credit risk under ECL model for trade debtors over 30 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

#### Significant increase in credit risk (Continued)

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

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

#### 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 debtor; 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, except trade receivables, 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. The Group rebutted the presumption of default under ECL model for trade debtors over 90 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

##### Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### Write-off policy

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

##### Measurement and recognition of expected credit losses

The measurement of expected credit losses 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 end of the reporting period.

For financial assets, the expected credit loss 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.

##### *Derecognition of financial assets*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

##### *Financial liabilities*

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other income, gains and losses, net' line item in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Financial instruments (Continued)*

#### *Financial liabilities and equity instruments (Continued)*

##### *Financial liabilities (Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

##### Derecognition of financial liabilities

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

### *Impairment losses on property, plant and equipment and right-of-use assets (other than impairment of goodwill set out in accounting policy of goodwill above)*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Impairment losses on property, plant and equipment and right-of-use assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)*

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

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

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

### *Fair value measurement*

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of right-of-use assets, property, plant and equipment for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### *Fair value measurement (Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Critical judgment in applying accounting policies*

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

#### *Legal title of buildings*

As at 31 December 2023, buildings without certificates of ownership with carrying values of approximately RMB7,829,000 (2022: RMB8,380,000). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

#### *Control in a subsidiary*

As stated in note 36, Youying Intelligent Technology (Shenzhen) Co., Ltd ("**Youying**") is a subsidiary of the Group even though the Group has only a 40% ownership interest and 40% of the voting rights in Youying. Youying is an unlisted limited company incorporated in PRC. The Group has had 40% ownership interest since 16 May 2023 and the remaining 60% of the ownership interests are held by numerous shareholders that are unrelated to the Group.

The directors of the Company assessed the Group's control over Youying on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Group holds significantly more voting rights than any other vote holder, and the Group has the right to appoint four out of seven members of the board of directors of Youying as stated in the amended articles of association of Youying, so the Group has the control over Youying.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Key sources of estimation uncertainty*

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

### *Useful lives and residual values of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period. As at 31 December 2023, the carrying amount of property, plant and equipment was approximately RMB128,335,000 (2022: RMB141,871,000).

### *Impairment of trade receivables and other receivables*

The impairment provisions for trade receivables and other receivables are based on assumptions about ECL. The Group has engaged an external valuer to assist for an impairment assessment on these receivables. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on past due status as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2023, the carrying amount of trade receivables and other receivables are approximately RMB46,576,000 and RMB5,423,000 (2022: RMB29,356,000 and RMB4,242,000) respectively, net of loss allowance of approximately RMB2,308,000 and RMB3,953,000 (2022: RMB2,632,000 and RMB221,000) respectively.

During the year ended 31 December 2023, a reversal of an impairment loss of approximately RMB359,000 and an impairment loss of approximately RMB3,732,000 (2022: a reversal of an impairment loss of approximately RMB4,124,000 and nil) was recognised on trade receivables and other receivables respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Key sources of estimation uncertainty (Continued)*

#### *Write-down of inventories*

The Group reviews an ageing analysis at the end of each reporting period, and makes write-down for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2023, the carrying amount of inventories was approximately RMB68,729,000 (2022: RMB68,773,000).

During the year ended 31 December 2023, an write-down of inventories of approximately RMB3,391,000 (2022: RMB1,885,000) was recognised.

#### *Impairment 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 impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) 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 (3) 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, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amount of property, plant and equipment and right-of-use assets were approximately RMB128,335,000 and RMB23,979,000 (2022: RMB141,871,000 and RMB17,838,000) respectively. No impairment loss on property, plant and equipment and right-of-use assets were recognised for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Key sources of estimation uncertainty (Continued)*

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2023, the carrying amount of goodwill is RMB25,790,000. No impairment loss on goodwill was recognised. Details of the recoverable amount calculation are disclosed in note 18.

#### *Income taxes*

As at 31 December 2023, deferred tax assets of approximately RMB1,560,000 (2022: RMB1,084,000), in relation to unused tax losses, unrealised profit on inventories and accelerated tax depreciation, has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on tax losses arising in PRC and Hong Kong of approximately RMB77,899,000 (2022: RMB52,428,000) as at 31 December 2023, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more/less than expected, a material recognition/reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition/reversal takes place.

#### *Fair value of contingent consideration receivable*

The fair value of contingent consideration receivable was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate and expected net profits of the acquired subsidiaries. As at 31 December 2023, the fair value of contingent consideration receivable is RMB30,000,000. No fair value change on contingent consideration receivable was recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 5. REVENUE

Revenue represents the amounts received and receivable for the manufacture and sales of and provision of processing services on innerwear products and knitted fabrics, the provision of space measurement services, industrial drones and measurement robots, net of discounts and sales related taxes. Revenue is analysed as follows:

### *Revenue from contracts with customers within the scope of HKFRS 15*

#### *Disaggregated by major products or services lines*

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Manufacture and sale of products:		
– Innerwear products	<b>361,339</b>	323,102
– Knitted fabrics	<b>102,283</b>	97,889
	<b>463,622</b>	420,991
Processing services income:		
– Innerwear products	<b>8,889</b>	8,702
– Knitted fabrics	<b>34,358</b>	39,351
	<b>43,247</b>	48,053
Space measurement services, industrial drones and measurement robots	<b>1,753</b>	–
	<b>508,622</b>	469,044

#### *Disaggregation of revenue by timing of recognition*

	<b>Year ended</b>	Year ended
	<b>31/12/2023</b>	31/12/2022
	<b>RMB'000</b>	RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	<b>508,622</b>	469,044

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 6. SEGMENT INFORMATION

The Group's operating segments, by category of products, based on information reported to the directors of the Company, being the chief operating decision makers ("CODM") for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year, the Group commenced the business engaging in provision of space measurement services, industrial drones and measurement robots along with the acquisition of Youying (as detailed in note 36), and it is considered as a new and operating and reportable segment by CODM.

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

- |    |  |   |   |
|----|--|---|---|
| 1) | Innerwear products   | - | manufacturing and sale of and provision of processing services on innerwear and garments  |
| 2) | Knitted fabrics  | - | manufacturing and sale of and provision of processing services on knitted fabrics   |
| 3) | Space measurement services, industrial drones and measurement robots | - | provision of high-precision space measurement and modelling services, geographic spatial data measurement services, internal and external industry software development, CIM underlying platform and system construction, as well as research and development, production, sales and technical assistance of industrial drones and 3D high-precision laser radar measuring robots |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Year ended 31 December 2023			Total RMB'000
	Innerwear products RMB'000	Knitted fabrics RMB'000	Space measurement RMB'000	
<b>Revenue</b>				
External sales	370,228	136,641	1,753	508,622
Inter-segment sales	124,502	101,031	–	225,533
Segment revenue	494,730	237,672	1,753	734,155
Eliminations				(225,533)
Group's revenue				508,622
<b>Segment profit (loss)</b>	35,943	(6,023)	(13,437)	16,483
Other income, gains and losses, net				1,021
Gain on derecognition of contingent consideration payable				3,400
Finance costs				(5,399)
Unallocated head office and corporate expenses				(17,816)
<b>Loss before tax</b>				(2,311)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 6. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

	Year ended 31 December 2022		Total RMB'000
	Innerwear products RMB'000	Knitted fabrics RMB'000	
<b>Revenue</b>			
External sales	331,804	137,240	469,044
Inter-segment sales	116,220	93,451	209,671
Segment revenue	448,024	230,691	678,715
Eliminations			(209,671)
Group's revenue			469,044
<b>Segment profit (loss)</b>	34,427	(7,524)	26,903
Other income, gains and losses, net			909
Finance costs			(5,262)
Unallocated head office and corporate expenses			(16,287)
<b>Profit before tax</b>			6,263

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, rental income, gain on derecognition of contingent consideration payable, directors' and chief executive's emoluments, certain finance costs and unallocated head office and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

	Year ended 31 December 2023			Total RMB'000
	Innerwear products RMB'000	Knitted fabrics RMB'000	Space measurement RMB'000	
<b>Segment assets</b>	<b>161,259</b>	<b>112,031</b>	<b>12,270</b>	<b>285,560</b>
Unallocated assets:				
Property, plant and equipment				34
Investment property				2,212
Right-of-use assets				2,335
Goodwill				25,790
Contingent consideration receivable				30,000
Cash and bank balances				270,118
Income tax receivables				936
Deferred tax assets				1,560
Prepayments				914
Other receivables				476
<b>Consolidated assets</b>				<b>619,935</b>
<b>Segment liabilities</b>	<b>96,095</b>	<b>43,576</b>	<b>6,563</b>	<b>146,234</b>
Unallocated liabilities:				
Other payables				14,080
Loan from a shareholder				4,583
Income tax payables				4,870
Interest-bearing borrowings				157,400
Lease liabilities				10,055
Deferred tax liabilities				225
<b>Consolidated liabilities</b>				<b>337,447</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

	Year ended 31 December 2022		Total RMB'000
	Innerwear products RMB'000	Knitted fabrics RMB'000	
<b>Segment assets</b>	<u>151,418</u>	<u>117,198</u>	268,616
Unallocated assets:			
Property, plant and equipment			56
Investment property			2,655
Right-of-use assets			4,096
Cash and bank balances			227,951
Income tax receivables			83
Deferred tax assets			1,084
Prepayments			1,069
Other receivables			<u>487</u>
<b>Consolidated assets</b>			<u>506,097</u>
<b>Segment liabilities</b>	<u>88,313</u>	<u>32,344</u>	120,657
Unallocated liabilities:			
Other payables			798
Loan from a shareholder			4,454
Income tax payables			3,876
Interest-bearing borrowings			103,000
Lease liabilities			4,330
Deferred tax liabilities			<u>558</u>
<b>Consolidated liabilities</b>			<u>237,673</u>

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

- all assets are allocated to operating segments other than property, plant and equipment for general operation, investment property for general operation, right-of-use assets for general operation, prepayments for general operation, certain other receivables, income tax receivables, deferred tax assets, goodwill, contingent consideration receivable and cash and bank balances.
- all liabilities are allocated to operating segments other than other payables for general operation, lease liabilities, loan from a shareholder, income tax payables, interest-bearing borrowings, and deferred tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6 SEGMENT INFORMATION (Continued)

### Other segment information

	Year ended 31 December 2023				Total RMB'000
	Innerwear products RMB'000	Knitted fabrics RMB'000	Space measurement RMB'000	Unallocated RMB'000	
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>					
Depreciation of property, plant and equipment	10,574	11,912	165	23	22,674
Depreciation of right-of-use assets	1,157	211	1,975	1,865	5,208
Net gain on disposal of property, plant and equipment	(211)	(29)	-	-	(240)
Write-down of inventories	1,571	1,820	-	-	3,391
Impairment loss (reversal of impairment loss) on trade receivables	381	(753)	13	-	(359)
Impairment loss on other receivables	88	-	3,632	12	3,732
Interest on lease liabilities	9	-	371	231	611
Additions to non-current assets	7,834	3,937	8,068	-	19,839
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:</b>					
Depreciation of investment property	-	-	-	443	443
Bank interest income	-	-	-	(1,033)	(1,033)
Interest expense	-	-	-	5,019	5,019
Income tax expense	-	-	-	7,353	7,353

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

	Year ended 31 December 2022			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>				
Depreciation of property, plant and equipment	11,233	13,569	62	24,864
Depreciation of right-of-use assets	1,187	206	1,795	3,188
Net (gain) loss on disposal of property, plant and equipment	(54)	19	–	(35)
Write-down of inventories	1,818	67	–	1,885
Reversal of impairment loss on trade receivables	(3,419)	(705)	–	(4,124)
Bad debt written off	717	318	–	1,035
Reversal of impairment loss on amounts due from related companies	(6)	(1)	–	(7)
Interest on lease liabilities	14	–	80	94
Additions to non-current assets	2,241	1,367	4,329	7,937
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:</b>				
Depreciation of investment property	–	–	443	443
Bank interest income	–	–	(786)	(786)
Interest expense	–	–	5,181	5,181
Income tax expense	–	–	6,419	6,419

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (Continued)

### Geographical information

Information about the Group's revenue from external customers is presented based on the destination where the products are delivered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from contracts with external customers		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
The PRC (country of domicile)	<b>202,109</b>	213,983	<b>186,719</b>	139,573
Japan	<b>226,873</b>	196,003	–	–
Taiwan	<b>24,093</b>	36,185	–	–
Italy	<b>17,077</b>	12,231	–	–
Africa	<b>9,872</b>	6,555	–	–
Hong Kong	<b>9,063</b>	1,212	<b>4,935</b>	5,806
Netherlands	<b>7,460</b>	–	–	–
United States	<b>6,281</b>	1,618	–	–
Southeast Asia	<b>5,360</b>	–	–	–
Norway	<b>434</b>	763	–	–
Germany	–	494	–	–
Myanmar	–	–	<b>19,027</b>	17,699
	<b>508,622</b>	469,044	<b>210,681</b>	163,078

Note: Non-current assets excluded deferred tax assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 6. SEGMENT INFORMATION (Continued)

#### *Information about major customers*

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Customer A (Note (a))	<b>56,990</b>	75,039
Customer B (Note (b))	<b>53,653</b>	N/A*
Customer C (Note (b))	<b>N/A*</b>	52,552

Notes:

- (a) Revenue from manufacture and sales of and provision of processing services on innerwear and garments segment and from overseas customer.
- (b) Revenue from manufacture and sales of and provision of processing services on innerwear and garments segment and from PRC customer.
- \* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 7. OTHER INCOME, GAINS AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Bank interest income	1,033	786
Interest income on financial asset measured at amortised cost	516	–
Exchange gains, net	2,429	–
Sales of scrap materials	2,077	2,076
Government grants (Note)	412	945
Net gain on disposal of property, plant and equipment	240	35
Rental income from an investment property		
– Lease payments that are fixed	147	119
Reversal of impairment loss on trade receivables	359	4,124
Impairment loss on other receivables	(3,732)	–
Reversal of impairment loss on amounts due from related companies	–	7
Others	460	1,282
	<b>3,941</b>	<b>9,374</b>

Note:

During the year ended 31 December 2023, the government grants of RMB377,000 (2022: RMB646,000) was awarded to the Group by the PRC government as incentives primarily to encourage the technology development of the Group and the contribution to the local economic development, while RMB18,000 and RMB17,000 (2022: nil and nil) was awarded to the Group by the Government of the Hong Kong Special Administrative Region as incentives primarily to encourage small and medium enterprises to expand their markets outside Hong Kong for participation in export promotion activities and reimburse maternity leave pay respectively. The government grants were one-off with no specific condition attached.

During the year ended 31 December 2022, the Group recognized government grants of RMB299,000 (2023: nil) in respect of COVID-19 related subsidies which was related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on:		
– Lease liabilities	611	94
– Bank loans	5,168	5,181
	<b>5,779</b>	5,275

## 9. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax (the “EIT”)		
– Provision for the year	5,874	4,146
– Under (over) provision in prior years	315	(381)
Overseas income tax		
– Provision for the year	1,382	1,181
Withholding tax	593	1,338
Deferred tax (Note 20)	(811)	135
	<b>7,353</b>	6,419

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 9. INCOME TAX EXPENSE (Continued)

### (a) Overseas income tax

Pursuant to the rules and regulations of the BVI, the BVI subsidiary and the Company are not subject to any income tax in the BVI.

Pursuant to the rules and regulations of Myanmar, the Myanmar subsidiaries are subject to income tax at 22% for the year ended 31 December 2023 (subject to 22% for the year ended 31 December 2022).

### (b) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. For the years ended 31 December 2023 and 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. (2022: 16.5%)

No provision for Hong Kong Profits Tax had been made for the years ended 31 December 2023 and 2022 as there was no estimated assessable profit derived from Hong Kong subsidiaries.

### (c) EIT

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2023 and 2022.

Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 14 March 2022, preferential tax rate for the small-scaled minimal profit enterprise for the proportion of annual taxable income between RMB1,000,001 and RMB3,000,000 is increased from 2.5% to 5% since 1 January 2022. Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 28 March 2023, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax rate of 5% since 1 January 2023. A PRC subsidiary of the Group was qualified as small-scaled minimal profit enterprise and application of preferential tax rate during the year ended 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 9. INCOME TAX EXPENSE (Continued)

### (d) Withholding tax

According to the joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

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

	2023 RMB'000	2022 RMB'000
(Loss) profit before tax	<b>(2,311)</b>	6,263
Tax at the domestic income rate of 25% (2022: 25%)	<b>(578)</b>	1,566
Tax effect of income not taxable for tax purpose	<b>(2,958)</b>	(1,057)
Tax effect of expenses not deductible for tax purpose	<b>2,592</b>	7,916
Tax effect of deductible temporary difference not recognised	<b>1,762</b>	482
Utilisation of deductible temporary difference previously not recognised	<b>(207)</b>	(388)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<b>246</b>	1,375
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>2,873</b>	(5,322)
Tax effect of tax losses not recognised	<b>6,645</b>	2,669
Under (over) provision in prior years	<b>315</b>	(381)
Income tax at concessionary rate	<b>(3,337)</b>	(441)
Income tax expense for the year	<b>7,353</b>	6,419

Details of deferred taxation are set out in note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 10. LOSS FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Loss for the year has been arrived at after charging:		
Salaries and other benefits	<b>133,492</b>	123,834
Contributions to retirement benefit schemes	<b>16,541</b>	15,886
Total staff costs (including directors' and chief executive's emoluments)	<b>150,033</b>	139,720
Auditor's remuneration	<b>959</b>	773
Depreciation of property, plant and equipment	<b>22,674</b>	24,864
Depreciation of investment property	<b>443</b>	443
Depreciation of right-of-use assets	<b>5,208</b>	3,188
Exchange losses, net	–	201
Research and development costs recognised as an expense*	<b>6,220</b>	–
Bad debt written off	–	1,035
Amount of inventories recognised as an expense	<b>399,782</b>	370,466
Write-down of inventories (included in cost of sales)	<b>3,391</b>	1,885

\* Research and development costs recognised as an expense for the year ended 31 December 2023 included staff costs and depreciation of property, plant and equipment of approximately RMB5,753,000 and RMB146,000 respectively (2022: nil and nil) which were also included in the total staff costs and depreciation of property, plant and equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive of the Company were as follows:

For the year ended 31 December 2023

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Wang Bin	-	1,086	-	1,086
Mr. Du Shuwei	-	1,086	-	1,086
Mr. Shu Dakun (Note a)	-	452	-	452
Ms. Tian Ying (Note b)	-	633	-	633
	-	3,257	-	3,257
<i>Non-executive director</i>				
Mr. Zhang Yanlin	180	-	-	180
<i>Independent non-executive directors</i>				
Mr. Xu Dunkai	136	-	-	136
Ms. Zhao Weihong	136	-	-	136
Mr. Zheng Bing (Note a)	57	-	-	57
Mr. Hu Quansen (Note b)	79	-	-	79
	408	-	-	408
Total	588	3,257	-	3,845

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2022

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Wang Bin	–	1,031	–	1,031
Ms. Tian Ying	–	1,031	–	1,031
Mr. Du Shuwei	–	1,031	–	1,031
	–	3,093	–	3,093
<i>Non-executive director</i>				
Mr. Zhang Yanlin	171	–	–	171
<i>Independent non-executive directors</i>				
Mr. Xu Dunkai	129	–	–	129
Mr. Hu Quansen	129	–	–	129
Ms. Zhao Weihong	129	–	–	129
	387	–	–	387
<b>Total</b>	<b>558</b>	<b>3,093</b>	<b>–</b>	<b>3,651</b>

Note:

(a) Appointed on 1 August 2023

(b) Resigned on 1 August 2023

The amounts above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings. No emoluments were paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

No directors or chief executive of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2023 and 2022. No emoluments were paid by the Group to any of the directors or chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2022: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2022: two) individuals were as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Salaries and other benefits	<b>5,714</b>	5,393
Contributions to retirement benefit schemes	–	–
	<b>5,714</b>	5,393

Their emoluments were within the following bands:

	<b>2023</b> <b>No. of</b> <b>Employees</b>	2022 No. of Employees
HKD1,000,001 to HKD1,500,000 (2023: equivalent to approximately RMB904,733 to RMB1,357,098, 2022: equivalent to approximately RMB858,796 to RMB1,288,193)	<b>2</b>	–
HKD1,500,001 – HKD2,000,000 (2023: equivalent to approximately RMB1,357,099 to RMB1,809,463, 2022: equivalent to approximately RMB1,288,194 to RMB1,717,591)	–	1
HKD3,500,001 to HKD4,000,000 (2023: equivalent to approximately RMB3,166,562 to RMB3,618,927, 2022: equivalent to approximately RMB3,005,785 to RMB3,435,181)	<b>1</b>	–
HKD4,500,001 to HKD5,000,000 (2023: equivalent to approximately RMB4,071,294 to RMB4,523,659, 2022: equivalent to approximately RMB3,864,580 to RMB4,293,977)	–	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

## 14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2023 is based on the loss for the year attributable to owners of the Company of approximately RMB1,560,000 and the weighted average of 494,335,330 ordinary shares in issue during the year.

The calculation of the basic and diluted loss per share for the year ended 31 December 2022 was based on the loss for the year attributable to owners of the Company of approximately RMB156,000 and the weighted average of 494,335,330 ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2023 and 2022 was the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2023 (2022: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Machinery</b>	<b>Office Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note)					
COST:						
As at 1 January 2022	188,471	31,522	154,101	15,376	8,367	397,837
Additions	-	376	2,294	980	-	3,650
Disposals	-	-	(2,146)	(230)	-	(2,376)
Exchange adjustments	(819)	(176)	(539)	(102)	148	(1,488)
As at 31 December 2022 and 1 January 2023	187,652	31,722	153,710	16,024	8,515	397,623
Acquired on acquisition of a subsidiary (Note 36)	-	-	-	410	16	426
Additions	-	215	4,169	2,079	2,073	8,536
Disposals	-	-	(1,925)	(155)	(606)	(2,686)
Exchange adjustments	280	60	186	106	88	720
As at 31 December 2023	187,932	31,997	156,140	18,464	10,086	404,619
ACCUMULATED DEPRECIATION:						
As at 1 January 2022	82,074	25,823	105,534	13,021	6,852	233,304
Provided for the year	9,450	2,351	10,445	1,804	814	24,864
Eliminated on disposals	-	-	(1,744)	(185)	-	(1,929)
Exchange adjustments	(104)	(82)	(356)	(100)	155	(487)
As at 31 December 2022 and 1 January 2023	91,420	28,092	113,879	14,540	7,821	255,752
Provided for the year	9,400	1,928	9,358	1,230	758	22,674
Eliminated on disposals	-	-	(1,760)	(155)	(600)	(2,515)
Exchange adjustments	40	32	131	91	79	373
As at 31 December 2023	100,860	30,052	121,608	15,706	8,058	276,284
CARRYING VALUES:						
As at 31 December 2023	87,072	1,945	34,532	2,758	2,028	128,335
As at 31 December 2022	96,232	3,630	39,831	1,484	694	141,871

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Buildings held for own uses	Over the shorter of term of the lease or 20 years
Leasehold improvements	5 years
Machinery	2–10 years
Office equipment	3–5 years
Motor vehicles	3–5 years

Note: As at 31 December 2023, buildings without obtaining certificates of ownership from the relevant PRC government authorities with carrying values of approximately RMB7,829,000 (2022: RMB8,380,000). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

As at 31 December 2023, certain Group's buildings with an aggregate carrying amounts of approximately RMB71,287,000 (2022: RMB79,245,000) were pledged to secure the bank borrowings granted to the Group (Note 38).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 16. INVESTMENT PROPERTY

	RMB'000
<b>COST</b>	
At 1 January 2022, at 31 December 2022, at 1 January 2023 and at 31 December 2023	<u>5,426</u>
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2022	2,328
Provided for the year	<u>443</u>
At 31 December 2022	2,771
Provided for the year	<u>443</u>
At 31 December 2023	<u>3,214</u>
<b>CARRYING VALUES</b>	
As at 31 December 2023	<u>2,212</u>
As at 31 December 2022	<u>2,655</u>

The fair value of the Group's investment property as at 31 December 2023 was approximately RMB4,194,000 (2022: RMB4,341,000). The fair value has been arrived at based on a valuation carried out by APAC Appraisal and Consulting Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions and is categorised as level 3 of the fair value hierarchy.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment property is depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 16 years
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 17. LEASES

### (i) Right-of-use assets

	2023 RMB'000	2022 RMB'000
Land	12,624	12,702
Buildings (factories, offices and staff quarters)	11,355	5,136
	<b>23,979</b>	<b>17,838</b>

At 31 December 2023, right-of-use assets of approximately RMB12,624,000 (2022: RMB12,702,000) represent land use rights located in the PRC and Myanmar.

The Group has lease arrangements for buildings. The lease terms generally range from two to five years with fixed lease payment and the leases do not contain renewal/termination option. The Group also entered into short term lease arrangements in respect of staff quarters, machinery and office equipments.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to approximately RMB10,877,000 (2022: RMB4,287,000), due to new leases of office and staff quarter.

As at 31 December 2023, the Group's right-of-use assets with an aggregate carrying amount of approximately RMB9,748,000 (2022: RMB10,046,000) were pledged to secure the bank borrowings granted to the Group (Note 38).

### (ii) Lease liabilities

	2023 RMB'000	2022 RMB'000
Non-current	5,984	2,505
Current	4,071	1,825
	<b>10,055</b>	<b>4,330</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 17. LEASES (Continued)

### (ii) Lease liabilities (Continued)

#### Amounts payable under lease liabilities

	2023 RMB'000	2022 RMB'000
Within one year	4,071	1,825
After one year but within two years	4,979	1,669
After two years but within five years	1,005	836
	<b>10,055</b>	4,330
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(4,071)</b>	(1,825)
Amount due for settlement after 12 months	<b>5,984</b>	2,505

During the year ended 31 December 2023, the Group entered into four (2022: two) new lease agreements in respect of new leases of office and staff quarter and recognised lease liabilities of approximately RMB10,877,000 (2022: 4,287,000).

### (iii) Amounts recognised in profit or loss

	Year ended 2023 RMB'000	2022 RMB'000
Depreciation expense on right-of-use assets:		
– Land	417	411
– Buildings (factories, offices and staff quarters)	4,791	2,777
	<b>5,208</b>	3,188
Interest expense on lease liabilities	611	94
Expense relating to short-term leases	1,467	1,188
Expense relating to leases of low value assets	10	11

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 17. LEASES (Continued)

### (iv) Others

During the year ended 31 December 2023, the total cash outflows for leases amount to approximately RMB7,351,000 (2022: RMB3,212,000).

## 18. GOODWILL

	2023 RMB'000
COST	
At beginning of the financial year, as originally stated	–
Arising on acquisition of a subsidiary	<u>25,790</u>
At the end of the financial year	<u>25,790</u>
CARRYING AMOUNTS	
At 31 December	<u>25,790</u>

### *Impairment testing on goodwill*

For the purposes of impairment testing, goodwill has been allocated to one individual cash-generating unit (“CGU”), comprising two subsidiaries in the space measurement services, industrial drones and measurement robots segment.

For the purpose of impairment assessment, property, plant and equipment and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 18. GOODWILL (Continued)

### *Space measurement services, industrial drones and measurement robots*

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 17%. The CGU's cash flows beyond the 5-year period are extrapolated using 2% growth rate. This growth rate exceeds the long-term average growth rate for the industry in which the CGU operates. Since the CGU is developing the drone application market, has achieved research and development results, and has reached consensus with certain potential customers, management of the Group believes that a 2% growth rate is reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development and the uncertain economic environment, which are subject to higher degree to estimation uncertainties.

During the year ended 31 December 2023, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

## 19. CONTINGENT CONSIDERATION RECEIVABLE

Contingent consideration receivable represented the profit guarantee arising from the acquisition of Youying and its subsidiary during the year ended 31 December 2023 as set out below. The contingent consideration receivable is measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivable is as follows:

	RMB'000
At fair value	
At 1 January 2023	–
Arising from acquisition of a subsidiary (Note 36)	<b>30,000</b>
At 31 December 2023	<b>30,000</b>

Note: On 16 May 2023, the Group acquired 40% of the issued share capital of Youying and its wholly-owned subsidiary, Changkuan Bihu Digital Technology (Shenzhen) Co., Ltd (“**Bihu**”). Youying is engaged in provision of space measurement services, industrial drones and measurement robots and Bihu is engaged in provision of space measurement services. Details of which are set out in note 36. Youying and Bihu were acquired so as to capture the growth opportunities in the smart cities market in the PRC and diversify the revenue stream of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 19. CONTINGENT CONSIDERATION RECEIVABLE (Continued)

Note: (Continued)

Pursuant to the investment agreement, the net profit of each anniversary date for the period from 1 January 2023 to 31 December 2025 shall not be less than RMB25,000,000, RMB50,000,000 and RMB80,000,000, respectively and the average net profit per year shall not be less than RMB51,670,000. If the average actual profit per year is less than 90% of the average of 3 years' profit guarantee (approximately RMB46.5 million), there would be a compensation in the form of equity interest transfer and potentially monetary compensation from the existing shareholders of Youying. The amount of equity interest transfer and monetary compensation are subject to adjustments based on the difference between the average actual profit and the average profit guarantee.

The fair value of the contingent consideration receivable as at 31 December 2023 is based on the valuation performed by APAC Appraisal and Consulting Limited, an independent professional valuer not connected with the Group.

## 20. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purpose.

	2023 RMB'000	2022 RMB'000
For financial reporting purpose:		
Deferred tax assets	1,560	1,084
Deferred tax liabilities	(225)	(558)
	<b>1,335</b>	526

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 20. DEFERRED TAXATION (Continued)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	<b>Unrealised (loss) profit on inventories</b>	<b>Withholding tax on undistributed profit of subsidiaries in the PRC</b>	<b>Tax losses</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	793	(479)	455	(96)	673
Charged to profit or loss for the year	(98)	(37)	–	–	(135)
Exchange difference	–	(42)	39	(9)	(12)
As at 31 December 2022 and at 1 January 2023	695	(558)	494	(105)	526
Credited to profit or loss for the year	464	347	–	–	811
Exchange difference	–	(14)	14	(2)	(2)
As at 31 December 2023	1,159	(225)	508	(107)	1,335

As at 31 December 2023, the Group has unused Hong Kong and PRC tax losses of approximately RMB55,835,000 and RMB25,145,000 (2022: RMB43,523,000 and RMB11,898,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses of approximately RMB3,081,000 (2022: RMB2,993,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB52,754,000 (2022: RMB40,530,000) and PRC tax losses of approximately RMB25,145,000 (2022: RMB11,898,000) due to unpredictability of future profit streams. All unrecognised PRC tax losses as at 31 December 2023 will expire in 2027 to 2028 (2022: expired in 2023 to 2026). Other losses may be carried forward indefinitely.

For the year ended 31 December 2023, none of PRC tax losses (2022: nil) was being utilised by the Group to set off assessable profit for the year, and PRC tax losses of approximately RMB6,101,000 (2022: 6,593,000) lapsed upon expiry. An addition of approximately RMB19,348,000 and RMB10,954,000 of PRC and HK tax losses (2022: RMB5,796,000 and RMB7,393,000 of PRC and HK tax losses respectively) was recognised respectively for the year ended 31 December 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 20. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences associated with impairment loss of approximately RMB13,763,000 (2022: RMB7,530,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB24,739,000 (2022: RMB85,941,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	25,822	25,901
Work-in-progress	33,229	30,857
Finished goods	9,678	12,015
	<b>68,729</b>	<b>68,773</b>

## 22. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Receivables at amortised cost comprise:		
Trade receivables	48,884	31,988
Less: Loss allowance on trade receivables	(2,308)	(2,632)
	<b>46,576</b>	<b>29,356</b>

As at 1 January 2022, the gross amount of trade receivables from contracts with customers amounted to approximately RMB41,261,000.

As at 31 December 2023, the gross amount of trade receivables from contracts with customers amounted to approximately RMB48,884,000 (2022: RMB31,988,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 22. TRADE RECEIVABLES (Continued)

The Group allows an average credit period of 30 to 90 days to its trade customers. An aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
0-30 days	<b>32,200</b>	23,625
31-60 days	<b>11,820</b>	4,394
61-90 days	<b>1,880</b>	1,234
Over 90 days	<b>676</b>	103
	<b>46,576</b>	29,356

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group rebutted the presumption of default under ECL model for trade debtors over 90 days past due based on the good repayment records for those customers and continuous business with the Group.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 22. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL (not credit impaired) for the trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2023	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.88	44,507	839
Less than 1 month past due	21.08	3,451	728
1 to 2 months past due	63.52	346	219
2 to 3 months past due	87.83	2	2
3 to 6 months past due	89.42	411	368
More than 6 months but less than 12 months past due	90.43	157	142
Over 12 months past due	100.00	10	10
		<b>48,884</b>	<b>2,308</b>

As at 31 December 2022	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	3.14	28,710	903
Less than 1 month past due	28.53	1,925	549
1 to 2 months past due	81.47	933	760
2 to 3 months past due	100.00	251	251
3 to 6 months past due	100.00	1	1
More than 6 months but less than 12 months past due	100.00	168	168
		<b>31,988</b>	<b>2,632</b>

Generally, trade receivables are written-off if there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The Group does not hold any collateral over its trade receivables. During the year ended 31 December 2022, approximately RMB1,035,000 (2023: nil) was written off.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 22. TRADE RECEIVABLES (Continued)

The movement in the allowance for impairment of trade receivables is set out below:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
At the beginning of the year	<b>2,632</b>	6,544
Reversal of impairment loss on trade receivables	<b>(359)</b>	(4,124)
Exchange realignment	<b>35</b>	212
At the end of the year	<b>2,308</b>	2,632

The decrease in the loss allowance is mainly due to decrease in the historical loss rate as the Group collected overdue balances with over 12 months past due in 2023.

At 31 December 2023, none of the loss allowance (2022: nil) classified as lifetime ECL (credit-impaired).

The Group's trade receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
RMB	<b>383</b>	–
USD	<b>3,320</b>	2,323
	<b>3,703</b>	2,323

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 23. BILLS RECEIVABLES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Receivables at amortised cost comprise:		
Bills receivables	<b>679</b>	6,541

As at 31 December 2023, the gross amount of bills receivables arising from contracts with customers amounted to approximately RMB679,000 (2022: 6,541,000).

The aging analysis of bills receivables presented based on the issue date at the end of the reporting period was as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
0-30 days	-	6,504
31-60 days	<b>679</b>	37
	<b>679</b>	6,541

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the counterparties are banks with high credit ratings, no additional loss allowance was provided on the Group's bills receivables in the years ended 31 December 2023 and 2022.

None of the Group's bills receivables denominated in currencies other than functional currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 24. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	4,912	4,443
Financial asset measured at amortised cost (Note a)	10,000	–
Other receivables (Note b)	9,376	4,463
Advance to suppliers	321	546
	<b>24,609</b>	9,452
Less: Loss allowance on other receivables	<b>(3,953)</b>	(221)
	<b>20,656</b>	9,231

Note:

- (a) During the year ended 31 December 2023, the Company has entered into an agreement with an independent third party for the financial asset measured at amortised cost of RMB10,000,000. The financial asset measured at amortised cost is for one year with expected return rate of 8.6%.
- (b) As at 31 December 2023, other receivables included amounts due from former related companies of approximately RMB1,186,000 (2022: 3,880,000), which are unsecured, non-interest bearing and repayable on demand.

Besides, certain amount of other receivables of approximately RMB3,780,000 arised from newly acquired subsidiary's former related company, which is unsecured and non-interest bearing.

The Group has individually assessed other receivables at 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition.

The movements in the allowance for other receivables are set out below:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	221	–
Impairment loss on other receivables	3,732	–
Reclassified from amounts due from related companies	–	221
At the end of the year	<b>3,953</b>	221

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 24. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group's other receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
Hong Kong dollars ("HKD")	580	527

## 25. RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

Cash and bank balances included demand deposits and short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carry interest at market rates which range from 0.001% to 1.25% (2022: 0.001% to 1.95%) per annum.

The Group's cash and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
USD	8,351	18,935
RMB	5,372	6,328
HKD	2,741	1,411
British Pound ("GBP")	150	81
Euro ("EUR")	106	114
Japanese Yen ("JPY")	83	73
	<b>16,803</b>	26,942

As at 31 December 2023, restricted bank deposits of approximately RMB5,026,000 (2022: nil) represented bank balances seized by court order. Further details are set out in note 42.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 26. TRADE AND BILLS PAYABLES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade payables	<b>64,353</b>	43,446
Bills payables	<b>32,150</b>	32,796
	<b>96,503</b>	76,242

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
0-30 days	<b>37,113</b>	41,553
31-90 days	<b>35,833</b>	16,483
91-180 days	<b>22,399</b>	17,543
Over 180 days	<b>1,158</b>	663
	<b>96,503</b>	76,242

The average credit period on purchase of goods is from 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 27. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Payroll and welfare payables	27,256	29,063
Consideration payable (Note a)	13,600	–
Other tax payables	2,574	2,504
Other payables (Note b)	10,433	5,250
	<b>53,863</b>	<b>36,817</b>

Note

- (a) The amount represented the second installment of the 40% acquisition cost of RMB34,000,000 to the existing shareholders of Youying according to the investment agreement. The payment should be made upon fulfillment of conditions under the investment agreement. Details of which are set out in the announcement of the Company dated 8 May 2023.
- (b) As at 31 December 2023, other payables included advances from a former related company of approximately RMB5,026,000 arised from the acquisition of a subsidiary. The amount with an interest rate of 3.55% p.a. and was calculated from 5 August 2023 until the debt was fully settled. Details of which are set out in Note 42.

The Group's accruals and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
USD	711	558
HKD	483	798
	<b>1,194</b>	<b>1,356</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advance from customers	<b>9,948</b>	8,396

As at 1 January 2022, contract liabilities amounted to RMB12,261,000.

Contract liabilities represent advances received from customers for obtaining raw materials for sales order.

The Group receives range from 10% to 30% of the contract values as deposits from customers when they sign the sale and purchase agreements for sales of innerwear products and knitted fabrics.

The changes in contract liabilities in 2023 were mainly due to more sales orders received towards the end of 2023 than it did at the same period of 2022.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities as at 1 January 2023 is approximately RMB8,396,000 (2022: RMB12,261,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

## 29. CONTINGENT CONSIDERATION PAYABLE

	2023 RMB'000
At 1 January 2023	–
Arising from acquisition of a subsidiary (Note 36)	<b>3,400</b>
Derecognition	<b>(3,400)</b>
At 31 December 2023	–

The amount represented the fair value of contingent consideration payable for 20% of the total consideration of the acquisition of Youying of RMB6,800,000. Pursuant to the investment agreement, the Group was conditionally agreed to pay 20% of the total consideration upon completion of the registration of the relevant software copyrights as set out in the investment agreement, completion of the preliminary approval for certain invention patents, released and discharged a guarantee on an external loan, and settled certain inter-companies balances as set out in the investment agreement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 29. CONTINGENT CONSIDERATION PAYABLE (Continued)

The Group appointed an independent professional valuer to determine the fair value of the contingent consideration payable. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between nil and RMB6,800,000. The fair value of the contingent consideration arrangement of RMB3,400,000 was estimated by applying the probability weighted approach. The fair value estimates are based on a discount rate of 1.98% and assumed probability-adjusted payment by condition completion of nil to RMB6,800,000. This is a level 3 fair value measurement.

The conditions precedent for contingent consideration were not fulfilled by 31 December 2023, a guarantee on an external loan was not yet released and discharged, and certain inter-companies balances as set out in the investment agreement were not yet settled. The Group's liability for contingent consideration payable has been released according to the investment agreement, and the contingent consideration payable has been derecognised.

## 30. LOAN FROM A SHAREHOLDER

As at 31 December 2023, Junfun, the ultimate beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,583,000 as at 31 December 2023 (2022: RMB4,454,000)). The loan is denominated in USD which is not the functional currency of the relevant group entity to the Group, which is unsecured, non-interest bearing and repayable on demand.

## 31. INTEREST-BEARING BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank borrowings – secured	103,000	103,000
Other loan	54,400	–
	157,400	103,000
Secured	103,000	103,000
Unsecured	54,400	–
	157,400	103,000

Based on the scheduled repayment dates set out in the loan agreements, all outstanding bank borrowings and other loan are due within one year. According to the loan agreements, such bank borrowings and other loan contained a repayment on demand clause.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 31. INTEREST-BEARING BORROWINGS (Continued)

As at 31 December 2023, secured bank borrowings with carrying amount of approximately RMB103,000,000 (2022: RMB103,000,000) were secured by right-of-use assets and buildings of the Group. Details are disclosed in note 38.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023		2022	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Variable rate borrowings	4.57% – 5.00%	48,000	5.00%	48,000
Fixed rate borrowings	3.65% – 4.80%	109,400	4.80%	55,000
		<b>157,400</b>		<b>103,000</b>

The Group has variable-rate borrowings which carry interest at base rate plus 1.37% (2022: base rate plus 1.37%). Interest is reset every 12 months (2022: every 12 months) for the year ended 31 December 2023.

During the year, the Group obtained new loans in the amount of approximately RMB157,400,000 (2022: RMB103,000,000). The loans bear interest at market rates and the balance will be repayable in 2024. The proceeds were used to finance the working capital and investment in subsidiaries of the Group.

As at 31 December 2023 and 2022, the carrying amounts of the Group's borrowings are denominated in RMB.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount RMB'000</b>
Ordinary share without par value		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,000,000,000</u>	<u>N/A</u>
	<b>Number of shares</b>	<b>Amount RMB'000</b>
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>494,335,330</u>	<u>148,929</u>

## 33. NON-CONTROLLING INTERESTS

	<b>Share of net assets of subsidiaries RMB'000</b>
At 1 January 2022 and 31 December 2022	–
Share of loss for the year	(8,104)
Deemed capital injection from non-controlling interests of a subsidiary (Note 36)	24,000
Non-controlling interests arising on acquisition of a subsidiary (Note 36)	<u>(1,785)</u>
At 31 December 2023	<u>14,111</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the loan from a shareholder and interest-bearing borrowings as disclosed in note 30 and note 31 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issues, the issue of new borrowings or repayment of existing borrowings.

## 35. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	<b>329,936</b>	268,050
<b>Financial assets at FVTPL</b>		
– Contingent consideration receivable in business combination	<b>30,000</b>	–
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<b>309,775</b>	215,263

### b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, financial asset measured at amortised cost, contingent consideration receivable, cash and bank balances, trade and bills payables, accruals and other payables, loan from a shareholder and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### *b. Financial risk management objectives and policies (Continued)*

#### **Credit risk**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from bank balances, trade receivables, bills receivables, other receivables and financial asset measured at amortised cost. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables and bills receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the management develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL of trade receivables at amortised cost	Basis for recognising ECL of other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired	Lifetime ECL – not credit impaired	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in notes 22, 23, 24 and 25 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### **Credit risk (Continued)**

##### *The Group's exposure to credit risk (Continued)*

As at 31 December 2023, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 17% and 58% (2022: Japan and the PRC which accounted for 23% and 71%) respectively of the total receivables.

As at 31 December 2023, the Group has concentration of credit risk as 1% (2022: 11%) and 20% (2022: 37%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

As at 31 December 2023, the Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 100% (2022: 57%) of the total bills receivables as at 31 December 2023. In addition, the Group's bills receivables from the top two major banks represented 100% of the total bills receivables as at 31 December 2022.

#### **Market risk**

##### *Foreign currency risk*

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2023, approximately 60% (2022: 54%), of the Group's sales are denominated in USD, a currency other than the functional currencies of the group entities making the sales, whilst almost 100% (2022: 100%) of costs are denominated in the group entity's respective functional currencies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 35. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### Foreign currency risk (Continued)

Also, certain trade and other receivables, cash and bank balances, other payables and loan from a shareholder are denominated in USD, RMB, HKD, GBP and EUR which are currencies other than the functional currency of the relevant group entities. The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Assets		
USD	11,671	21,258
RMB	5,755	6,328
HKD	3,321	1,938
GBP	150	81
EUR	106	114
JPY	83	73
Liabilities		
USD	5,294	5,012
HKD	483	798

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

#### Foreign currency risk (Continued)

#### Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD, RMB, HKD, GBP and EUR.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A positive number below indicates a decrease/increase in post-tax loss where the respective foreign currency strengthens 5% (2022: 5%) against the relevant functional currency. For a 5% (2022: 5%) weakening of the respective foreign currency against the relevant functional currency, there would be an equal and opposite impact on the profit or loss.

	USD impact	
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Decrease in loss	251	666

	RMB impact	
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Decrease in loss	240	264

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

	HKD impact	
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Decrease in loss	118	48

	GBP impact	
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Decrease in loss	6	–

	EUR impact	
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Decrease in loss	4	5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate interest-bearing borrowings (note 31) and interest-bearing other payable (note 27) and cash flow interest rate risk in relation to variable-rate interest-bearing bank balances (note 25), financial asset measured at amortised cost (note 24) and interest-bearing borrowings (note 31). The Group currently does not have an interest rate hedging policy. However, the directors of the Company continuously monitor the related interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from the People's Bank of China arising from the Group's interest-bearing borrowings.

##### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including bank balances, financial asset measured at amortised cost and interest-bearing borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2022: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2023 (2022: post-tax loss) would decrease/increase by approximately RMB1,280,000 (2022: RMB652,000).

##### Liquidity risk

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 35. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2023	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>Non-derivative financial liabilities</b>			
Trade and bills payables	96,503	96,503	96,503
Other payables	51,289	51,289	51,289
Loan from a shareholder	4,583	4,583	4,583
Interest-bearing borrowings			
– fixed rate	109,400	109,400	109,400
– variable rate	48,000	48,000	48,000
	<b>309,775</b>	<b>309,775</b>	<b>309,775</b>

Additional information about the maturity of lease liabilities is provided in the following table:

As at 31 December 2023	Less than one year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Lease liabilities	4,673	6,449	11,122	10,055

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 35. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

As at 31 December 2022	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>Non-derivative financial liabilities</b>			
Trade and bills payables	76,242	76,242	76,242
Other payables	31,567	31,567	31,567
Loan from a shareholder	4,454	4,454	4,454
Interest-bearing borrowings			
– fixed rate	55,000	55,000	55,000
– variable rate	48,000	48,000	48,000
	<u>215,263</u>	<u>215,263</u>	<u>215,263</u>

Additional information about the maturity of lease liabilities is provided in the following table:

As at 31 December 2022	Less than one year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Lease liabilities	<u>2,060</u>	<u>2,645</u>	<u>4,705</u>	<u>4,330</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the “on demand or within one year” time band in the above maturity analysis. As at 31 December 2023 and 2022, the aggregate undiscounted principal amounts of these loans amounted to RMB157,400,000 and RMB103,000,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the creditors will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB161,104,000 (2022: RMB105,073,000), with the details as follow:

	<b>Less than one year RMB'000</b>	<b>Undiscounted cash flows RMB'000</b>	<b>Carrying amount RMB'000</b>
At 31 December 2023	<b>161,104</b>	<b>161,104</b>	<b>157,400</b>
At 31 December 2022	105,073	105,073	103,000

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	At 31 December 2023			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVTPL: – Contingent consideration receivable	–	–	30,000	30,000

There were no transfers between level 1 and 2 of fair value hierarchy in the current and prior years.

### Fair value of financial asset that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		31 December 2023	31 December 2022				
Contingent consideration receivable	Level 3	RMB30,000,000		– Probability weighted method with income approach – By reference to the present value of the discounted cash flows model to be derived from the future cash flow, based on an appropriate discount rate	The bond risky rate	18% (2022: nil)	The higher bond risky rate, the lower the fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements recognised in the consolidated statement of financial position (Continued)

#### Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the bond risky rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the contingent consideration receivable would decrease by RMB86,000 or increase by RMB99,000 respectively.

Reconciliation of Level 3 fair value measurements of financial asset on recurring basis:

	Contingent consideration receivable RMB'000
At 1 January 2023	–
Arising from acquisition of a subsidiary	30,000
At 31 December 2023	30,000

## 36. ACQUISITION OF A SUBSIDIARY

On 8 May 2023, Hainan Guangxun International Investment Co., Ltd\* (“海南廣迅國際投資有限公司”) (“**Purchaser**”), a wholly owned PRC subsidiary of the Group, entered into an investment agreement with the existing shareholders of Youying (“**Seller**”), pursuant to which the Purchaser agreed to acquire 40% equity interest in Youying with a total consideration of RMB74,000,000, being the sum of: (i) the consideration to be satisfied by way of cash by the Purchaser to the Seller of RMB34,000,000; (ii) deemed consideration to the Seller of RMB24,000,000, which was calculated based on the capital injection of the Purchaser to Youying of RMB40,000,000 multiplied by the percentage of equity interest retained by the Seller of 60% after the acquisition. The deemed consideration was also regarded as deemed capital injection from the Seller to Youying.

Youying is engaged in the provision of space measurement services, industrial drones and measurement robots and its wholly-owned subsidiary, Bihu is engaged in provision of space measurement services. Youying and Bihu was acquired so as to capture the growth opportunities in the smart cities market in the PRC and diversify the revenue stream of the Group.

This acquisition has been accounted for using the acquisition method.

\* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 36. ACQUISITION OF A SUBSIDIARY (Continued)

### Consideration transferred

	RMB'000
Cash consideration	27,200
Contingent consideration arrangement (Note 29)	3,400
Deemed consideration to the Seller	
– Capital injection to Youying	40,000
– Less: equity interests (40%) owned by the Group	(16,000)
Less: fair value of profit guarantee (Note 19)	<u>(30,000)</u>
Total consideration transferred	<u>24,600</u>

As at 31 December 2023, an amount of RMB13,600,000 of cash consideration has not been paid to the Seller and included in line item “accruals and other payables” as consideration payable in Note 27. Up to the date of issue of these financial statements, the remaining consideration has not been paid up.

The contingent consideration arrangement requires the Group to pay, in cash, to the Seller, 20% of the total consideration with conditions upon completion of the registration of the relevant software copyrights as set out in the investment agreement, completion of the preliminary approval for certain invention patents, released and discharged a guarantee on an external loan, and settled certain inter-companies balances as set out in the investment agreement by 31 December 2023, up to a maximum undiscounted amount of RMB6,800,000.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between nil and RMB6,800,000. The fair value of the contingent consideration arrangement of RMB3,400,000 was estimated by applying the probability weighted approach. The fair value estimates are based on a discount rate of 1.98% and assumed probability-adjusted payment by condition completion of nil to RMB6,800,000. This is a level 3 fair value measurement.

Acquisition-related costs amounting to RMB198,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 36. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	426
Inventories	552
Prepayments and other receivables	16,324
Bank balances and cash	4,029
Trade payables	(202)
Accruals and other payables	(24,000)
Contract liabilities	(104)
	<u>(2,975)</u>

The fair value of other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	24,600
Plus: non-controlling interests (60% in Youying)	(1,785)
Less: net liabilities acquired	<u>2,975</u>
Goodwill arising on acquisition	<u>25,790</u>

The non-controlling interests (60%) in Youying recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Youying and amounted to approximately RMB1,785,000.

Goodwill arose on the acquisition of Youying because the acquisition included the assembled workforce of Youying and Bihu and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 36. ACQUISITION OF A SUBSIDIARY (Continued)

### *Net cash outflow on acquisition of Youying and Bihu*

	RMB'000
Cash consideration	27,200
Capital injection to Youying	40,000
Less: cash that had not been paid to the seller as at 31 December 2023	(37,600)
Less: cash and cash equivalent balances acquired	<u>(4,029)</u>
	<u>25,571</u>

Included in the loss for the year is RMB13,506,000 attributable to the additional business generated by Youying and Bihu. Revenue for the year includes RMB1,754,000 generated from Youying and Bihu.

Had the acquisition been completed on 1 January 2023, total revenue of the Group for the year would have been RMB508,676,000, and loss for the year would have been RMB14,107,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had Youying and Bihu been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 37. OPERATING LEASE ARRANGEMENT

### *The Group as lessor*

The Group leases out investment property under operating leases. The leases typically run for an initial period of 10 years. None of the leases includes variable lease payments. During the year ended 31 December 2021, the operating lease arrangement was terminated. A new operating lease arrangement was entered by the Group and commenced from 1 January 2022 for 10 years.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>200</b>	200
After 1 year but within 2 years	<b>200</b>	200
After 2 years but within 3 years	<b>200</b>	200
After 3 years but within 4 years	<b>200</b>	200
After 4 years but within 5 years	<b>200</b>	200
After 5 years	<b>600</b>	800
	<b>1,600</b>	1,800

## 38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing borrowings (Note 31) of the Group at the end of the reporting period:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Right-of-use assets	<b>9,748</b>	10,046
Buildings	<b>71,287</b>	79,245
	<b>81,035</b>	89,291

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 39. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Amount contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	567	1,186

## 40. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme (“**MPF Scheme**”) for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in independently administered funds. Monthly contributions made by the subsidiaries are calculated based on certain percentages of the applicable payroll costs or fixed sums as stipulated under the relevant requirements, as appropriate. The employees are required to contribute 5% of their monthly salaries or up to a maximum of HKD1,500 and they can choose to make additional contributions. The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The total cost charged to profit or loss of approximately RMB16,541,000 (2022: RMB15,886,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 40. RETIREMENT BENEFIT SCHEMES (Continued)

### *Long Service Payment Liabilities*

#### *Obligation to long service payments (“LSP”) under Hong Kong Employment Ordinance*

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to employees in Hong Kong under certain circumstances, subject to a minimum of 5 years employment period, based on this formula: Last monthly wages (before termination of employment)  $\times$  2/3  $\times$  Years of service. Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group’s Mandatory Provident Fund contributions, plus/minus any positive/negative returns thereof (collectively, the “**Eligible Offset Amount**”), for the purpose of offsetting LSP payable to an employee (the “**Offsetting Arrangement**”).

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment Ordinance will come into effect prospectively from 1 May 2025 (the “**Transition Date**”). Under the Amendment Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

The Group is currently assessing the impact of the LSP obligation due to the Amendment Ordinance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 41. MATERIAL RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Class of related party	Nature of transaction	2023	2022
		RMB'000	RMB'000
Related companies (Note)	Reversal of impairment loss on amounts due from related companies	-	(7)

Note: The related companies were controlled by a director of subsidiaries or a close family member of a director of subsidiaries. For the year ended 31 December 2022, the director of subsidiaries and the close family member of the director of subsidiaries resigned as the director of the related companies. Since then, those companies are no longer related companies of the Group.

The above transactions were made on the terms mutually agreed between both parties.

### *Compensation of key management personnel*

The emolument of the directors of the Company and other members of key management during the year was as follows:

	2023	2022
	RMB'000	RMB'000
Short-term benefits	15,532	14,506
Post-employment benefits	370	161
	<b>15,902</b>	14,667

The emolument of directors of the Company and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

Details of the balances with related companies at the end of the reporting period are set out in the consolidated statement of financial position and in respective notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 42. LITIGATION

Shenzhen Ibimfish Square Technology Cp., Ltd.\* (“深圳比目魚平方科技有限公司”) (“**Shenzhen Ibimfish**”) sued Youying in June 2023 in relation to a default of debt of approximately RMB5,026,000 and overdue interest expenses, which were calculated based on the debt amount with interest rate of 3.55% p.a. and calculated from 5 August 2023 until the debt was fully settled. The Shenzhen Qianhai Cooperation Zone People’s Court made a judgment against Youying and ordered Youying to repay the debt of RMB5,026,000 with an interest rate of 3.55% p.a. to Shenzhen Ibimfish. A bank deposit of RMB5,026,000 has been seized by the court. Youying appealed against such judgment and the Shenzhen Intermediate People’s Court had accepted the appeal and the first hearing was expected to be held in April 2024. As at the date of this annual report, the hearing has taken place, with judgment from the court pending and Youying was unable to estimate the expected date of rendering of judgment.

Youying sued Eagle Eye Precision Testing Technology (Shenzhen) Co., Ltd.\* (“鷹眼精測技術(深圳)有限公司”) (“**Eagle Eye**”) (a former related company of Shenzhen Ibimfish) in November 2023 in relation to the default of debt of approximately RMB3,780,000 and overdue interest expenses. Youying claimed that both Shenzhen Ibimfish and Ibimfish Vision Technology (Shenzhen) Co., Ltd.\* (“比目魚視界科技(深圳)有限公司”) (“**Ibimfish Vision**”) should bear joint liability for the repayment of such debt for their former related company. Such a case was accepted by the Shenzhen Nanshan District People’s Court in April 2024. As the court case is still at an early stage, final outcome of the litigation and the actual financial impacts to the consolidated financial statements cannot be estimated with certainty.

Ibimfish Vision sued Youying in June 2023 and claimed that Ibimfish Vision is the joint right owner of certain utility model patents and software copyrights which were registered in Youying’s name alone. Such a case was accepted by the Shenzhen Intermediate People’s Court in March 2024. As the court case is still at an early stage, final outcome of the litigation and the actual financial impacts to the consolidated financial statements cannot be estimated with certainty.

\* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

## 43. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2023, the Group entered into new arrangements in respect of office and staff quarter. Right-of-use assets and lease liabilities of approximately RMB10,877,000 (2022: RMB4,287,000) were recognised at the commencement of the lease.
- (b) During the year ended 31 December 2023, the Group had a total addition of plant, property and equipment amounting to approximately RMB8,536,000 (2022: RMB3,650,000), out of which approximately RMB714,000 (2022: RMB nil) was settled by the deposit paid in year ended 31 December 2022.
- (c) As at 1 January 2022, the Group reclassified amounts due from related companies to other receivables with carrying amount of approximately RMB360,000, net of loss allowance of approximately RMB221,000, and amounts due to related companies to other payables with carrying amount of approximately RMB1,467,000 since the director of subsidiaries and the close family member of the director of subsidiaries resigned as the director of the related companies and those companies are no longer related companies of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 44. 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 consolidated statement of cash flows as cash flows from financing activities.

	1 January 2023 RMB'000	Financing cash flows RMB'000	Non-cash changes			Foreign exchange movements RMB'000	31 December 2023 RMB'000
			Government grants receivable RMB'000	New lease arrangements RMB'000	Finance cost incurred RMB'000		
Interest-bearing borrowings (Note 31)	103,000	54,400	-	-	-	-	157,400
Government grants received	-	412	(412)	-	-	-	-
Accrued interest	-	(5,779)	-	-	5,779	-	-
Loan from a shareholder (Note 30)	4,454	-	-	-	-	129	4,583
Lease liabilities (Note 17)	4,330	(5,263)	-	10,877	-	111	10,055
<b>Total</b>	<b>111,784</b>	<b>43,770</b>	<b>(412)</b>	<b>10,877</b>	<b>5,779</b>	<b>240</b>	<b>172,038</b>

	1 January 2022 RMB'000	Financing cash flows RMB'000	Non-cash changes			Foreign exchange movements RMB'000	31 December 2022 RMB'000
			Government grants receivable RMB'000	New lease arrangements RMB'000	Finance cost incurred RMB'000		
Interest-bearing borrowings (Note 31)	103,000	-	-	-	-	-	103,000
Government grants received	-	945	(945)	-	-	-	-
Accrued interest	-	(5,275)	-	-	5,275	-	-
Loan from a shareholder (Note 30)	4,103	-	-	-	-	351	4,454
Lease liabilities (Note 17)	1,755	(1,919)	-	4,287	-	207	4,330
<b>Total</b>	<b>108,858</b>	<b>(6,249)</b>	<b>(945)</b>	<b>4,287</b>	<b>5,275</b>	<b>558</b>	<b>111,784</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2023	Indirectly 2022	2023	2022	
Grand Concord Holdings Group Limited	BVI	Ordinary	USD1	100%	100%	100%	100%	Investment holding
Grand Concord Holding (Hong Kong) Limited 廣豪集團(香港)有限公司	Hong Kong	Ordinary	HKD70,000,000	100%	100%	100%	100%	Investment holding
Grand Concord Garment (Hong Kong) Limited 廣豪服飾(香港)有限公司	Hong Kong	Ordinary	HKD1	100%	100%	100%	100%	Trading of garments
Greatime Investment Holdings Limited 廣泰投資控股有限公司	Hong Kong	Ordinary	HKD100	100%	100%	100%	100%	Investment holding
Zhucheng Eternal Knitting Co., Limited 諸城裕泰針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD16,300,000	100%	100%	100%	100%	Manufacture of innerwear
Zhucheng Yumin Knitting Co., Limited 諸城裕民針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD15,900,000	100%	100%	100%	100%	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Shundu International Trading Limited 山東順都國際貿易有限公司 (notes (a) and (b))	The PRC	Ordinary	USD1,500,000	100%	100%	100%	100%	Trading of garments

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2023	Indirectly 2022	2023	2022	
Zhucheng Yuan Knitting Co., Limited 諸城裕安針織有限公司 (notes (a) and (b))	The PRC	Ordinary	RMB5,000,000	100%	100%	100%	100%	Manufacture of innerwear and garments
Hainan Guangxun International Investment Co., Ltd 海南廣迅國際投資有限公司 (notes (a) and (b))	The PRC	Ordinary	RMB1	100%	100%	100%	100%	Investment holding
Youying Intelligent Technology (Shenzhen) Co., Ltd. 優鷹智能科技(深圳)有限公司 (notes (b) and (c))	The PRC	Ordinary	RMB16,655,200	40%	-	40%	-	Provision of space measurement services, industrial drones and measurement robots
Changkuan Bihu Digital Technology (Shenzhen) Co., Ltd. 長寬必虎數字科技(深圳)有限公司 (notes (a), (b), and (c))	The PRC	Ordinary	RMB5,000,000	40%	-	40%	-	Provision of space measurement services
Yuhua Company Limited	Myanmar	Ordinary	MMK100,000,000	100%	100%	100%	100%	Manufacturing of garments
Jade Blue Company Limited	Myanmar	Ordinary	USD5,200,000	100%	100%	100%	100%	Manufacturing of fabrics

### Notes:

- (a) The entity is wholly foreign owned enterprise established in the PRC.
- (b) The English translation of the company names is for reference only. The official names of these companies are in Chinese.
- (c) The entity was acquired on 16 May 2023.

None of the subsidiaries had issued debt securities at the end of the years 31 December 2023 and 2022 or at any time during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		34	56
Right-of-use assets		1,520	2,247
Unlisted investment in a subsidiary	(a)	24,370	28,071
		<b>25,924</b>	30,374
<b>Current assets</b>			
Prepayments and other receivables		416	414
Amount due from subsidiary	(a)	–	64,417
Cash and bank balances		7,160	16,811
		<b>7,576</b>	81,642
<b>Current liabilities</b>			
Accruals and other payables		484	797
Loan from a shareholder (Note 30)		4,583	4,454
Lease liabilities		796	715
		<b>5,863</b>	5,966
<b>Net current assets</b>		<b>1,713</b>	75,676
<b>Total assets less current liabilities</b>		<b>27,637</b>	106,050
<b>Non-current liability</b>			
Lease liabilities		815	1,565
		<b>26,822</b>	104,485
<b>Capital and reserves</b>			
Share capital (Note 32)		148,929	148,929
Reserves	(b)	(122,107)	(44,444)
<b>Total equity</b>		<b>26,822</b>	104,485

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Notes:

- (a) For the year ended 31 December 2023, impairment of approximately RMB3,701,000 on unlisted investment in a subsidiary and impairment of approximately RMB66,291,000 on amount due from a subsidiary (2022: nil and nil) were recognized.

Amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

### (b) Movement in the Company's reserves

	<b>Other reserve</b> RMB'000 (Note)	<b>Accumulated losses</b> RMB'000	<b>Total</b> RMB'000
As at 1 January 2022	27,988	(69,853)	(41,865)
Loss and total comprehensive expense for the year	—	(2,579)	(2,579)
As at 31 December 2022 and 1 January 2023	27,988	(72,432)	(44,444)
Loss and total comprehensive expense for the year	—	(77,663)	(77,663)
As at 31 December 2023	27,988	(150,095)	(122,107)

Note: Other reserve represented the difference between the nominal value of the shares of the Company issued and net asset values of Grand Concord Holding (Hong Kong) Limited upon group reorganisation undertaken in 2011.