

2024 Annual Report



廣東集信國控檢測認證
技術服務中心股份有限公司

GUANGDONG SYNTRUST GK TESTING AND CERTIFICATION
TECH SERVICE CENTER CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 8629



Characteristics of GEM of the Stock Exchange

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Glossary

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"AGM"	an annual general meeting of the Company
"Articles"	the articles of association of the Company, currently in force, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Board Diversity Policy"	the board diversity policy of the Company adopted on 13 August 2024
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the GEM Listing Rules
"Company"	Guangdong Syntrust GK Testing and Certification Tech Service Center Co., Ltd. (廣東集信國控檢測認證技術服務中心股份有限公司), a joint stock company with limited liability, whose H Shares are listed on GEM
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented and otherwise modified from time to time
"Director(s)"	the director(s) of the Company
"Dividend Policy"	the dividend policy of the Company adopted on 5 August 2024
"EGM"	an extraordinary general meeting of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Guangdong AMR"	Guangdong Administration for Market Regulation (廣東省市場監督管理局)
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

Glossary

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"H Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00, which are traded in HK dollars and listed on the Stock Exchange
"Listing"	the listing of the H Shares on GEM
"Listing Date"	6 September 2024
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China" or "Chinese Mainland" or "Mainland China"	The People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 26 August 2024 in connection with the Share Offer
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Company Law of the PRC (《中國人民共和國證券法》), as amended, supplemented and otherwise modified from time to time
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and the H Shares
"Share Offer"	the public offer and placing of the H Shares to investors in Hong Kong pursuant to the Prospectus
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the Supervisory Committee

Glossary

"Supervisory Committee"	the supervisory committee of the Company
"T&I"	testing and inspection
"Unlisted Share(s)"	ordinary share(s) in the share capital of the Company with a nominal rate of RMB1.00, which are not listed on any stock exchange
"Xinyi City CEQS Center"	Xinyi City Construction Engineering Quality and Safety Affairs Center (信宜市建設工程質量安全事務中心), a public institution (事業單位) of the Xinyi City People's Government (信宜市人民政府) under the Xinyi City Bureau of Housing and Urban-Rural Development (信宜市住房和城鄉建設局) and the controlling Shareholder of the Company
"Xinyi Xinhui"	Xinyi City Xinhui State-owned Capital Investment Group Co., Ltd. (信宜市信匯國有資本投資集團有限公司), a limited liability company which is wholly-owned by Xinyi City Bureau of Finance (信宜市財政局) and a substantial Shareholder of the Company

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lai Feng (*Chairman*)
Huang Fei
Mai Jiayu
Zhang Xihua

Non-executive Directors

Zou Chan
Chen Guangfu

Independent Non-executive Directors

Liu Hongge
Deng Dian
Luo Qiling

SUPERVISORY COMMITTEE

Wu Weiyuan
Chen Shende
Chen Haibin
Zhou Kelin
Zhang Zhihang

REGISTERED OFFICE IN THE PRC

No. 1, Xinyi Avenue South
Dingbao Town, Xinyi City
Maoming City, Guangdong Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

www.xyjiance.cn

JOINT COMPANY SECRETARIES

Liu Dongxue
Ng Tung Ching Raphael (*an associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute*) (appointed on 21 March 2025)
Cheung Lai Ha (*an associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute*) (resigned on 21 March 2025)

AUTHORISED REPRESENTATIVES

Lai Feng
Ng Tung Ching Raphael (appointed on 21 March 2025)
Cheung Lai Ha (resigned on 21 March 2025)

BOARD COMMITTEES

Audit Committee

Liu Hongge (*Chairlady*)
Luo Qiling
Deng Dian

Remuneration Committee

Liu Hongge (*Chairlady*)
Luo Qiling
Deng Dian

Nomination Committee

Lai Feng (*Chairman*)
Luo Qiling
Liu Hongge

Corporate Information

H SHARE REGISTRAR

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

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place
Central, Hong Kong

AUDITOR

Ernst & Young
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

PRINCIPAL BANKERS

China Construction Bank Corporation
(Maoming Xinyi Branch)
No. 2 Xinshang Road
Xinyi City, Maoming
Guangdong Province, China

COMPLIANCE ADVISER

Yue Xiu Capital Limited
Rooms Nos. 4917–4937
49/F, Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Guangdong Syntrust GK Testing and Certification Tech Service Center Co., Ltd., I am pleased to present the audited annual results for the year ended 31 December 2024. The Company's successful listing on GEM of the Stock Exchange on 6 September 2024 marks an important milestone of the Company.

OVERVIEW

The Company has been committed to providing comprehensive and high-quality T&I services to our customers, mainly covering construction engineering T&I services, product and material testing services, environmental testing services and food testing services. Our diversified service portfolio enables us to meet the diverse needs of different customer groups, including private and public sector entities, such as property developers, construction companies, state-owned investment companies, PRC government institutions and PRC government administrative bureaus. The Company has also obtained accreditation in a total of 41 categories for testing and inspection services relating to construction engineering, product and material testing, environmental testing, food testing and agricultural related testing approved by the Guangdong AMR, which displays a high level of professionalism, good reputation and market competitiveness.

FINANCIAL PERFORMANCE

During the year under review, the Company achieved outstanding performance. Revenue of the Company surged to approximately RMB55.26 million, representing an increase of 33.16% over last year (2023: RMB41.50 million). Profit for the year grew by 22.96% over last year to approximately RMB16.30 million (2023: RMB13.25 million). Basic earnings per Share were RMB0.61. To share the success with the Shareholders, the Board recommended the payment of a final dividend of RMB0.15 per Share (inclusive of applicable taxes) for the year ended 31 December 2024. The total payout dividend for the year amounted to approximately RMB5.09 million and the total dividend payout ratio for the year amounted to approximately 31%.

MARKET REVIEW

The T&I industry is experiencing significant growth driven by national policies, such as the "Rural Revitalisation Initiative" (鄉村振興) policy and Guangdong Province "Project for the High-Quality Development of Hundreds of Counties, Thousands of Towns and Tens of Thousands of Villages" (《百縣千鎮萬村高質量發展工程》), which are boosting demand for T&I services, particularly in tier 3 and below cities. The market size of independent T&I industry in Western Guangdong is projected to grow from RMB3.6 billion in 2023 to RMB6.5 billion by 2028, with a CAGR of 12.7%. The Company, a well-established T&I service provider in Maoming, is well-

Chairman's Statement

positioned to benefit from these trends. However, the industry faces intense competition, with over 100 competitors in Western Guangdong, necessitating strategic adjustments, technological innovation and cost optimization. In addition, the T&I sector is increasingly diversifying, with growing demand for customized T&I services in areas such as food, agriculture and security. By expanding the service offerings of the Company and adapting to market changes, the Company aims to enhance its competitiveness and achieve sustainable growth.

FUTURE PROSPECTS

The Company's future prospects are bolstered by policies, such as the the Administrative Measures for the Quality Inspection of Highway and Waterway Engineering (《公路水運工程質量檢測管理辦法》) (Jiao Tong Yun Shu Bu Ling [2023] No. 9) and the Administrative Measures for Investment Projects within the Central Budget for Water Conservancy (《水利中央預算內投資專項管理辦法》) (Fa Gai Nong Jing Gui [2024] No. 1761), that create growth opportunities in transportation, water conservancy and diversified T&I sectors. Supported by these policies, the Company will actively expand its business and seize market opportunities by increasing its service offerings to capture the demands in the food and agricultural products testing, transportation construction, water conservancy engineering and fire protection T&I services so as to achieve diversified development and enhance its overall competitiveness and market influence.

APPRECIATION

Over the years, the Company's success in achieving distinguished results is attributed to the relentless efforts of the management and the staff. On behalf of the Board, I would like to take this opportunity to extend my heartfelt thanks to all of our staff for their loyalty and contributions to the Company during the year. I would also like to express my sincere gratitude to our Shareholders and business partners for their long-term support and trust. The Company will continue to expand our market share and strengthen our leading position in the testing and inspection service market while striving for excellence, so as to achieve better results for our Shareholders.

Lai Feng
Chairman

Hong Kong, 21 March 2025

Management Discussion and Analysis

BUSINESS OVERVIEW

Listed on GEM of the Stock Exchange on 6 September 2024, the Company is a construction engineering testing and inspection services provider in Maoming, Guangdong Province of China that offers a comprehensive range of construction engineering testing and inspection services, including foundation testing service, infrastructure and public roads testing service, construction material testing service, slope monitoring and foundation pit monitoring services. Since May 2024, as part of the expansion plan of the Company, the food and agricultural products testing department officially launched its business, creating a new revenue stream.

As at the date of this report, the Company had obtained accreditation in a total of 41 categories for testing and inspection services relating to construction engineering, product and material testing, environmental testing, food testing and agricultural related testing approved by the Guangdong AMR under the Inspection and Testing Agency Qualification Certificate, and the Company offers testing services with over 3,183 parameters under the 41 categories.

MARKET REVIEW

1. Development trends in the industry in which the Company operates

(1) National policies facilitate the development of the testing and inspection industry

With the national "Rural Revitalisation Initiative" (鄉村振興) policy and Guangdong Province "Project for the High-Quality Development of Hundreds of Counties, Thousands of Towns and Tens of Thousands of Villages" (《百縣千鎮萬村高質量發展工程》) being implemented in depth, the economic vitality of tier 3 and below cities continues to strengthen, driving sustainable growth in the demand for independent T&I services. The market size of the independent T&I industry in Western Guangdong increased from approximately RMB2.3 billion in 2019 to approximately RMB3.6 billion in 2023, with a CAGR of 11.3%. The independent T&I industry in this region is anticipated to reach approximately RMB6.5 billion by 2028, with a CAGR of 12.7%, maintaining a steady growth. As a well-known T&I service provider in Maoming, the Company is well-positioned to capitalize on the business opportunities brought by these policies by leveraging its background as a state-owned inspection institution, which has a significant impact on the improvement of its performance.

Management Discussion and Analysis

In the field of hydropower and water conservancy T&I, the PRC government has continuously increased investment in water conservancy infrastructure in recent years. Particularly, the 14th Five-Year Plan explicitly proposes to accelerate the modernization of water conservancy, improve the water resource allocation system, and enhance flood control and drought resistance capabilities. This has increased the demand for hydropower and water conservancy T&I services. In the field of transportation engineering T&I, with the in-depth implementation of the national "Strong Transportation Nation" strategy and Guangdong Province's "Strong Transportation Province" initiatives, China has continuously invested in transportation infrastructure, particularly in Western Guangdong, where major transportation projects, such as highways, railways and ports are being steadily advanced. As a critical component of ensuring project quality, transportation engineering testing is experiencing growing market demand. The implementation of these policies will serve as a significant catalyst for the future business expansion of the Company in the water conservancy and transportation testing sectors, creating greater development opportunities for the Company.

(2) Competition in the testing and inspection industry is highly intense

According to the latest statistics, there are over 100 state-owned and private construction engineering testing institutions in Western Guangdong, indicating an extremely competitive market environment. In this background, some competitors have secured more advantageous positions by leveraging their strengths in pricing, service models, market recognition and diversification of service offerings. In the face of such intense competition, the Company needs to adjust its operating strategies and business models in a promptly and swiftly manner. Through technological innovation, service quality enhancement and cost control optimization measures, the Company can continuously improve its competitiveness and profitability.

Management Discussion and Analysis

(3) The trend in inspection business is increasingly diversified

Currently, the T&I industry is exhibiting a clear trend of business diversification. With continuous advancements in technology and evolving market demands, customers' demand for testing services is increasingly diversified and customerized. To meet this market demand, the Company is required to actively expand its business scope and explore new testing projects and service models. Building on its traditional construction engineering T&I services, the Company continues to deepen and expand the field of food testing, and at the same time, extends its offerings to multiple testing fields, such as transportation engineering, water conservancy engineering and fire safety, thereby forming a diversified business structure. This will enable the Company to better adapt to market changes, enhance its comprehensive competitiveness and achieve sustainable development.

2. Analysis the core competitiveness of the Company

(1) Brand and credibility advantages

As the first listed company in Xinyi City and the first state-owned listed enterprise in Western Guangdong, the brand and credibility of the Company are pivotal to its development. Since its establishment, the Company has served as the primary technical support unit for the Xinyi City People's Government in managing construction engineering quality and safety. Upholding the values of "Integrity, Professionalism, Collaboration and Win-Win" and adhering to the service philosophy of "Science, Credibility, Accuracy and Excellence", the Company has established a strong presence in the regional market of Western Guangdong, committed to providing reliable and accurate T&I services to its customers. The comprehensive T&I capabilities, construction engineering T&I expertise, and market performance of the Company are in leading positions, particularly in Western Guangdong. In addition, the Company enjoys high brand recognition and market influence within the industry.

Management Discussion and Analysis

(2) Advantages of an excellent management team and professional talent

The sustainable development of an enterprise depends on the growth of its team. The Company has team led by Mr. Lai Feng, who has over a decade of experience in the construction testing industry and is capable of quickly grasping industry development trends and promptly adapting to policy and industry changes. The team demonstrates exceptional synergy in strategic planning and maintains high efficiency in execution. The Company places great emphasis on the reserve of professional talent, leveraging its brand influence to attract a group of qualified mid-to-senior engineers, including 12 seasoned senior engineers. The team members not only possess extensive testing experience but also profound professional knowledge, having obtained 255 Detection and Appraisal Training Certificates, which enables them to provide comprehensive and precise testing services to customers.

(3) Technological research and development advantages

The Company places significant emphasis on technological research and development. In 2020, the Company successfully developed the Testing and Inspection Information Artificial Intelligent Management System V1.0, which was awarded a Computer Software Copyright Registration Certificate by the National Copyright Administration of the PRC. To further enhance the performance of the system, the Company continuously optimized it and successfully upgraded it to V2.0 version in early 2024. This upgrade achieved real-time, on-site, and error-free management of ledgers at the operational level, fully meeting the diverse needs of modern office environments for paperless, process-driven, data-driven, mobile, and intelligent operations. In 2023, the Company independently developed the first unmanned smart construction laboratory in the PRC, realizing unmanned and fully automated T&I. In addition, the Company has also independently developed a material delivery pallet for construction material testing, the Pile Foundation Bearing Capacity Testing System V1.0, and the Concrete Quality Testing System V1.0, all of which have obtained national patents or computer software copyright registration certificate. Furthermore, the Company has also established collaborative relationships with colleges to jointly conduct technical research and promote applications, continuously enhancing technical capabilities and service standards.

Management Discussion and Analysis

(4) Customer resource advantages

Over the years, the Company has established a solid market position and a broad customer base in Maoming. Our customer base primarily consists of private and public sector entities, such as property developers and construction companies, state-owned investment companies, relevant PRC government institutions and PRC government administrative bureaus. The Company is capable of providing customized service solutions tailored to the specific circumstances and needs of different customers, helping them improve product quality and market competitiveness.

(5) Diversified service advantages

Building on its established strengths in original construction testing, the Company has implemented a diversified service strategy. Since May 2024, the food and agricultural products testing department officially launched its business, creating a new revenue stream. In the field of environmental testing, the Company has focused on air quality testing and has achieved significant progress. Currently, the Company possesses testing qualifications across 41 categories and over 3,183 testing parameters, making it one of the most comprehensively qualified testing institutions in Maoming, to meet the diverse service needs of customers.

Looking forward, the Company will continue to deepen its presence in the environmental testing and food testing market while actively expanding into emerging areas, such as transportation engineering, water conservancy engineering and fire safety. Through this diversified business presence, the Company can build a broader customer base. This strategy not only enhances the resilience of the business to risks, ensuring operational stability and sustainability, but also helps the Company seize market opportunities, promoting leapfrog development of the business.

Management Discussion and Analysis

BUSINESS REVIEW

1. Introduction of major business

During the period from the Listing Date to 31 December 2024, there is no change to the major business of the Company. The Company has been committed to providing comprehensive and high-quality T&I services to our customers, mainly covering construction engineering testing services, construction engineering inspection services and food testing services. Our diversified service portfolio enables us to meet the diverse needs of different customer groups, including private and public sector entities, such as property developers, construction companies, state-owned investment companies, PRC government institutions and PRC government administrative bureaus. The Company has obtained accreditation in a total of 41 different categories for construction engineering T&I services, which displays a high level of professionalism, good reputation and market competitiveness of the Company.

(1) Construction Engineering Testing Services

Construction engineering testing services segment focus on offering comprehensive and professional testing services for various construction projects in order to ensure the quality and safety of the projects. The major business includes foundation testing services, which evaluate the bearing capacity of foundation and integrity of pile foundation so as to ensure the stability of construction foundation; infrastructure and public roads testing services, which cover the testing of roads, bridges, tunneling and other public facilities to ensure their use performance and durability; construction material testing, which analyzes the physical and chemical properties of construction materials such as concrete, steel and asphalt to ensure that the materials comply with standard requirements; building structure testing, which assesses the safety of the overall structure of buildings, including the diagnosis of cracks, deformations and other problems; product and material testing services, which are dedicated to offering comprehensive and professional testing services for various industry products and construction materials to ensure that their quality, performance, and safety comply with national standards and industry norms. The major testing coverage includes construction materials, metal products (including structural metal products and other metal products), daily-use chemical products (such as paints), ceramic products (such as building ceramics), electrical and electronic products (including low voltage, high voltage, wire and cable, and electronic equipment), and furniture. By carrying out systemic testing and assessment of the physical properties, chemical composition, mechanical strength, durability, and safety of materials, the department offers customers accurate testing data and reports, facilitating the improvement of product quality and enhancement of market competitiveness; the environmental testing services, which mainly involved air quality testing

Management Discussion and Analysis

indoors, decoration pollution assessment, construction engineering fields, public places, and people's livelihood fields. There are two certified testing methods, namely the Standard for Indoor Environmental Pollution Control of Civil Building Engineering (《民用建筑工程室內環境污染控制標準》) GB 50325-2020, and the Standard Method for Hygienic Examination of Formaldehyde in Air of Residential Areas — Spectrophotometric Method (《居住區大氣中甲醛衛生檢驗標準方法分光光度法》) GB/T 16129-1995. In terms of air testing, the Company conducts comprehensive and accurate testing of the air indoors and outdoors by professional technical teams and advanced testing equipment. The Company can accurately monitor various types of pollutants in the air, such as formaldehyde, benzene, toluene, xylene, TVOC, and radon, strictly adhering to the related national standards and norms and offering scientific and reliable air quality assessment reports for customers. In 2024, the Company has realized 3 testing projects, namely Xinyi School Affiliated to Guangdong University of Foreign Studies, the Construction Project of the Central Parking Lot and Supporting Facilities in Yudu New District, and the Construction Project of Xinyi Jianmin Hospital. The revenue from environmental testing services amounted to RMB120,560.

(2) Construction Engineering Inspection Services

Construction engineering inspection services mainly include slope monitoring and foundation pit monitoring services. Foundation pit monitoring involves regular or continuous inspections, measurements, monitoring, data collection, analysis, and feedback activities implemented during the construction and usage phases of an excavation pit in a building project to assess the safety condition, changes, characteristics, and development trends of the pit and its surrounding environment. This is done through various means and methods, including instrument measurements, on-site inspections, and other techniques to ensure the safety of the excavation pit and its surroundings. Slope monitoring involves measurements, monitoring, data collection, analysis, and feedback activities carried out during the construction, trial operation, and operational phases of a building slope to assess the safety condition, changes, characteristics, and development trends of the slope. Various means and methods, such as instrument measurements, are employed. By providing slope and foundation pit monitoring services, we ensure the comprehensive evaluation of slope conditions, foundation pit stability, and early detection of potential risks. These monitoring services contribute significantly to the safety and success of construction projects by facilitating timely interventions, minimising hazards, and maintaining the structural integrity of slopes and foundation pits. Slope monitoring and foundation pit monitoring are normally required in the stage of excavation of foundation pit and backfilling of earthworks during a building construction project. They may also be required throughout certain infrastructure projects.

Management Discussion and Analysis

(3) Food and Agricultural Products Testing Services

The food and agricultural products testing department officially launched its business since May 2024, focusing on offering comprehensive testing services for the food industry to ensure food safety and quality in accordance with the national standards. The main services include testing and evaluation of pesticide residues, food additives and nutrients in fruits, vegetables, tea leaves, eggs and other food products, using both quantitative testing and rapid testing methods. Quantitative testing accurately determines the levels of specific components or contaminants in samples through high-end equipment, such as gas and liquid chromatography-mass spectrometry systems. Rapid testing employs multi-functional agricultural and veterinary drug residue detector and other technologies to quickly screen for target substances as a preliminary screening tool, significantly enhancing testing efficiency. We are entrusted by a PRC government administrative bureau responsible for food safety supervision to undertake tasks, such as rapid testing in urban farmers' markets and special food safety sampling at the county level to provide technical support for food safety supervision.

In order to further enhance the testing capabilities, the Company is equipped with advanced gas and liquid chromatographs, nitrogen evaporator, which can conduct comprehensive analysis and testing of ingredients like pesticides, veterinary drugs and antibiotics, significantly improving the accuracy and efficiency of testing.

Management Discussion and Analysis

2. The analysis of business competitiveness

Throughout the years, the Company has been providing a full range of construction engineering T&I services, which includes foundation testing, infrastructure and public roads testing, construction material testing, building structure testing, as well as slope monitoring and foundation pit monitoring services. The diversified service offering has allowed the Company to meet the diverse needs of different customer groups, including private and public sector entities, such as property developers, construction companies, state-owned investment companies, PRC government institutions and PRC government administrative bureaus. As at the date of this report, the Company has obtained accreditation in 41 categories for different construction engineering T&I services within three areas, covering over 3,183 parameters testing qualifications, which demonstrates a significant improvement in our professionalism and credibility.

This comprehensive coverage demonstrates our ability to deliver thorough and precise assessments, meeting the varied requirements of our customers and ensuring compliance with industry standards. In particular, our static load testing capacity for our foundation testing services has reached 35,000 kN. According to the latest statistics of the CIC Report, among the top five construction engineering testing and inspection services providers in Maoming, only two of them, including the Company, have obtained the necessary qualification to conduct static load testing with a capacity reaching 35,000 kN or more. We are also one of a few testing and inspection institutions capable of implementing fully automated process in our slope monitoring and foundation. With our capability of providing a wide spectrum of services, we are able to meet the needs of our existing customers and acquire new customers, solidifying our market presence and diversifying revenue streams.

Management Discussion and Analysis

The food and agricultural products testing department officially launched its business since May 2024, focusing on offering comprehensive testing services for the food and agricultural industry to ensure safety and quality of food and agricultural products in accordance with the national standards. The Company provides food testing services for quality control and traceability in Xinyi City as well as market pre-inspection services and has achieved a testing revenue of approximately RMB3 million in this area. The food and agricultural products testing has obtained testing qualifications for 588 parameters across four categories in two fields. The main services include testing of pesticide residues and food additives in fruits, vegetables, tea leaves, eggs and other food products. Since May 2024, the Company has further cooperated with Xinyi Market Supervision Bureau to carry out regular and rapid testing of agricultural products in eight major farmers' markets in the city, effectively safeguarding the safety and quality of food in accordance with the national standards. The series of initiatives fully demonstrates the Company's strategic direction of focusing on the development of food and agricultural products testing business.

Updates Relating to Qualification Requirements of the Testing and Inspection of Construction Engineering Quality Inspection Agencies

The Administrative Measures for the Quality Inspection of Construction Engineering (《建設工程質量檢測管理辦法》) promulgated by the Ministry of Construction on 28 September 2005 which was re-promulgated by the Ministry of Housing and Urban-Rural Development (the "MOHURD") on 29 December 2022 and became effective on 1 March 2023, and the Notice of the Ministry of Housing and Urban-Rural Development on Issuance of Qualification Standards of Construction Engineering Quality Inspection Agencies (《住房和城鄉建設部關於印發〈建設工程質量檢測機構資質標準〉的通知》) issued and implemented by the MOHURD on 31 March 2023, stipulate the construction engineering quality inspection agencies are required to obtain the appropriate qualification certificates to engage in the quality inspection business under the regulations and set out the qualifications requirements of the inspection agencies and personnel, as well as the functions and scope of supervision of the relevant regulatory authorities.

Management Discussion and Analysis

As at the date of this report, the implementation rules in Guangdong Province regarding the new qualification standards of construction engineering quality inspection agencies published by the MOHURD in 2023 have not yet been officially released and therefore the application process for obtaining the new certificate and acquiring the Specialised Qualifications under the new standard has not yet been made available.

On 21 October 2024, the Guangdong Provincial Department of Housing and Urban-Rural Development issued the Notice of the Guangdong Provincial Department of Housing and Urban-Rural Development on Preparation for Relevant Matters Concerning the Qualification Approval of Construction Engineering Quality Testing Institutions (《廣東省住房和城鄉建設廳關於做好建設工程質量檢測機構資質審批有關事項準備的通知》), pursuant to which (i) if the validity period of the qualification certificate of construction engineering quality inspection institutions issued by Guangdong Province under previous qualification standards expires on or after 31 October 2024, it shall be uniformly extended to 31 October 2025; and (ii) inspection agencies that have obtained qualification certificates in Guangdong Province under previous qualification standards shall apply for re-assessment in accordance with the Qualification Standards of Construction Engineering Quality Inspection Agencies (《建設工程質量檢測機構資質標準》) prior to 31 October 2025.

After reviewing and examining the relevant qualification requirements for the six out of the nine Specialised Qualifications under the 2023 Administrative Measures and the Qualification Standards of Construction Engineering Quality Inspection Agencies that we require to conduct our existing construction engineering testing and inspection businesses (namely (i) building materials and components, (ii) main structure and decoration, (iii) foundation, (iv) building energy-saving, (v) municipal engineering materials, and (vi) road works), the Directors are of the view that the Company has fulfilled all requirements (including personnel and equipment) of the six Specialised Qualifications above. The Directors do not foresee any difficulties in fulfilling the application requirements and obtaining the new qualification certificates before the deadline.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue Breakdown by Type of Services

The Company generated revenue primarily from the provision of construction engineering testing and inspection services. The following table sets forth the breakdown of revenue for the Company's revenues by types of services for the years ended 31 December 2024 and 2023:

	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Construction engineering testing services				
Foundation testing service	27,482	49.7	24,619	59.3
Construction material testing service	4,973	9.0	3,888	9.4
Building structure testing service	3,908	7.1	1,682	4.0
Infrastructure and public roads testing service	10,086	18.3	5,837	14.1
	<u>46,449</u>	<u>84.1</u>	<u>36,026</u>	<u>86.8</u>
Construction engineering inspection services				
Slope monitoring and foundation pit monitoring services	5,671	10.3	5,474	13.2
	<u>5,671</u>	<u>10.3</u>	<u>5,474</u>	<u>13.2</u>
Food and agricultural testing services				
	<u>3,140</u>	<u>5.7</u>	<u>—</u>	<u>—</u>
Total	<u>55,260</u>	<u>100.0</u>	<u>41,500</u>	<u>100.0</u>

Management Discussion and Analysis

Revenue generated from the provision of construction engineering testing services increased by 28.9% to RMB46.45 million (2023: RMB36.03 million), mainly attributable to (i) the overall growth in the construction engineering T&I industry in Maoming; and (ii) the revenue growth is in line with the expansion of scope of testing qualifications which enabled the Company to provide a wider range of inspection and testing services to its customers.

Revenue generated from the provision of construction engineering inspection services increased by 3.6% to RMB5.67 million (2023: RMB5.47 million), primarily due to (i) the overall growth in the construction engineering T&I industry in Maoming; and (ii) the revenue growth is in line with the expansion of scope of testing qualifications which enabled the Company to provide a wider range of inspection and testing services to its customers.

Since May 2024, the food and agricultural products testing department officially launched its business and generated revenue of RMB3.14 million for the year ended 31 December 2024.

Cost of Sales

Cost of sales increased by 72.0% to RMB20.15 million for the year ended 31 December 2024 (2023: RMB11.72 million), which is mainly attributable to (i) increase in depreciation expenses in relation to the office building and fixed assets of the Company; and (ii) increase in wages and salaries.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin by Type of Services

The following table sets out the gross profit and the gross profit margin by product category for years ended 31 December 2024 and 2023:

	For the year ended 31 December					
	2024		2023		Change in gross profit %	Change in gross profit margin % point
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %		
Construction engineering testing services						
Foundation testing service	24,337	88.6	20,022	81.3	21.6	7.2
Construction material testing service	579	11.6	972	25.0	(40.4)	(13.4)
Building structure testing service	1,450	37.1	942	56.0	53.7	(19.0)
Infrastructure and public roads testing service	7,144	70.8	3,430	58.8	108.3	12.1
	<u>33,510</u>	<u>72.1</u>	<u>25,366</u>	<u>70.4</u>	<u>32.1</u>	<u>1.7</u>
Construction engineering inspection services						
Slope monitoring and foundation fit monitoring services	1,890	33.3	4,415	80.7	(57.2)	(47.3)
Food and agricultural testing services	(293)	(9.3)	—	—	—	—
Total	<u>35,107</u>	<u>63.5</u>	<u>29,781</u>	<u>71.8</u>	<u>17.9</u>	<u>(8.2)</u>

Management Discussion and Analysis

The Company's overall gross profit margin decreased to 63.5% (2023: 71.8%). The decrease in the overall gross profit margin was mainly due to the following factors: (i) as the Company was in a phase of expansion, the increase in personnel and equipment and leasing costs resulted in a decline in the gross profit margin in 2024 and the growth in revenue lagging behind the growth in costs; and (ii) the Company recorded a gross loss of RMB0.29 million in 2024 for its new food and agricultural testing business segment, which also contributed to the overall decrease in the gross profit margin.

Other Income and Gains

For the year ended 31 December 2024, the Company recorded other income and gains of RMB5.83 million (2023: RMB0.69 million). Other income and gains consisted primarily of government listing incentive income, interest income and exchange gain.

Administrative Expenses

For the year ended 31 December 2024, the Company's administrative expenses amounted to approximately RMB17.26 million (2023: RMB10.16 million), which represented approximately 31% (2023: 24%) of the Company's total revenue. The increase in administrative expenses was mainly attributed to the increase in employee compensation, depreciation and amortization and professional fees.

Impairment Losses on Financial Assets at Amortised Cost, net

For the year ended 31 December 2024, the Company's reversal of impairment in financial assets at amortised cost amounted to approximately RMB0.55 million (2023: impairment of RMB1.32 million). The turnaround from impairment losses to impairment gains in financial assets of approximately RMB1.87 million was mainly attributable to (i) the Company's increased effort in collecting trade receivables; (ii) clients were more proactive in payment due to the recovery of the real estate industry; and (iii) some of the clients elected to settle their payment with transfer of properties.

Management Discussion and Analysis

Finance Costs

The total finance cost of the Company for the year ended 31 December 2024 amounted to approximately RMB1.21 million (2023: RMB0.22 million). The increase in finance costs was mainly due to the increase in amortization of unrecognised finance charges for the Company's office building lease to RMB1.21 million (2023: RMB0.22 million).

Income Tax Expenses

Income tax provision of the Company for the year ended 31 December 2024 was approximately RMB6.02 million (2023: RMB4.48 million).

Profit and Total Comprehensive Income for the Year and Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

As a result of the foregoing, the profit and total comprehensive income for the year ended 31 December 2024 was approximately RMB16.30 million (2023: RMB13.25 million), representing an increase of 22.96% over last year.

The Company's earning per share attributable to ordinary equity holders of the parent was approximately RMB0.61 for the year ended 31 December 2024 (2023: RMB0.64).

Dividend

At the meeting of the Board held on 21 March 2025, the Board recommended a final dividend of RMB0.15 per Share (inclusive of applicable taxes) for the year ended 31 December 2024 in accordance with the Dividend Policy, subject to approval at the AGM to be held on Friday, 16 May 2025 and payment will be made on or around Tuesday, 15 July 2025 to the Shareholders whose names are listed on the register of members of the Company on Tuesday, 27 May 2025.

Property, Plant and Equipment

As of 31 December 2024, the property, plant and equipment amounted to RMB24.38 million (31 December 2023: RMB4.23 million). The increase was mainly attributable to the acquisition of additional machinery and equipment for our business resulting in the increase in the carrying amount of machinery equipment by RMB16.13 million.

Right-of-Use Assets

As of 31 December 2024, the right-of-use assets amounted to RMB38.66 million (31 December 2023: RMB1.69 million). The increase was mainly attributable to the entering into of a lease agreement for a property used as office building of the Company with lease term of 20 years.

Management Discussion and Analysis

Deferred Tax Assets

As of 31 December 2024, the deferred tax assets amounted to RMB2.30 million (31 December 2023: RMB3.04 million). The decrease was mainly attributable to the decrease in deferred tax assets of RMB0.75 million as the Company recognized a government listing incentive subsidy of RMB3 million in 2024 but received the payment in January 2025.

Inventories

As of 31 December 2024, the inventories amounted to RMB2.98 million (31 December 2023: RMB1.39 million). The increase was mainly attributable to the increase in contract fulfilment costs of RMB1.49 million, which represents the asset recognized in relation to costs to fulfil contract for testing services.

Trade Receivables

The trade receivables of the Company primarily represent amounts receivables from customers. As of 31 December 2024, the trade receivables amounted to RMB48.64 million (31 December 2023: RMB29.33 million).

The number of turnover days of trade receivable was 257 days (2023: 281 days). The turnover days of trade receivable remained relatively stable during the year.

Prepayments and other Receivables

As of 31 December 2024, the prepayments and other receivables amounted to RMB7.73 million (31 December 2023: RMB19.90 million). The decrease was mainly attributable to the decrease in deferred listing expenses as the Company was successfully listed in September 2024.

Time Deposits

As of 31 December 2024, the time deposits amounted to RMB10 million (31 December 2023: Nil). The increase was mainly attributable to short term deposits made during the year.

Cash and Cash Equivalents

As of 31 December 2024, the cash and cash equivalent amounted to RMB99.86 million (31 December 2023: RMB59.15 million). The increase was mainly attributable to the proceeds from the Share Offer of the Company in September 2024.

Management Discussion and Analysis

Trade Payables

The trade payables of the Company primarily represent amounts payable to suppliers and subcontractors. As of 31 December 2024, the trade payables amounted to approximately RMB4.83 million (2023: RMB0.61 million). The increase in trade payables was mainly attributable to the increase in subcontracting.

The number of turnover days of trade payables for the year ended 31 December 2024 was 49 days (2023: 21 days). The increase was mainly attributable to the extension of settlement period for trade payables related to purchase of testing equipment and services.

Liquidity, Financial Resources and Capital Structure

The Company's primary sources of operating funds are cash flow from operating activities. As at 31 December 2024, the Company's current ratio was 9.4 (31 December 2023: 7.2). The Company maintained a net cash position, reflecting its healthy financial condition, paving the way for future development. The gearing ratio (calculated as net debt divided by the adjusted capital plus net debt) is not applicable as the Company had a net surplus of RMB85.16 million as at 31 December 2024 (31 December 2023: net surplus of RMB49.56 million).

The Company successfully raised approximately HK\$54.4 million of net proceeds from its listing and as at 31 December 2024, the Company's total cash and cash equivalents amounted to approximately RMB99.86 million (31 December 2023: RMB59.15 million).

Treasury Policy

The Company has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Company strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Company's liquidity position to ensure that the liquidity structure of the Company's assets, liabilities and other commitments can meet its funding requirements from time to time.

Management Discussion and Analysis

Foreign Exchange Risk

The Company has transactional currency exposures as certain payables and cash and cash equivalent held in currencies other than the Company's functional currencies. The foreign exchange risk mainly arises from the exposure of RMB against Hong Kong dollars and United State dollars for certain other payables for listing expenses.

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

Capital Commitments

Capital commitment as at 31 December 2024 of RMB1.3 million was primarily related to the purchase of buildings and machinery equipment in association with the relocation plan of the Company. (31 December 2023: RMB4.4 million).

Management Discussion and Analysis

Contingent Liabilities

The Company did not have any significant contingent liabilities as at 31 December 2024 (31 December 2023: Nil).

Charge of Assets

None of the Company's assets were pledged as at 31 December 2024 (31 December 2023: Nil).

Foreign Currency Risks

The Company operates in the PRC with most of its transactions settled in RMB. The Company's assets and liabilities, and transactions arising from operation are mainly denominated in RMB. Accordingly, it is believed that the Company does not have any material foreign currency risks that would affect its operation. However, the management team will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Interest Rate Risks

The Company has no significant interest-bearing liabilities during the year ended 31 December 2024 (2023: Nil). The fair value interest rate risk that arises from financial assets and liabilities carried at fixed rates is not significant for the Company.

Significant Investments and Acquisitions

During the year ended 31 December 2024, the Company did not have any significant investment (2023: Nil).

Material Acquisitions or Disposal of Subsidiaries, Associates or Joint Ventures

The Company did not conduct any acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

Management Discussion and Analysis

Future Plans for Material Investments and Capital Assets

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company has allocated from the proceeds of the Share Offer to acquire a construction engineering testing and inspection company and a fire protection testing and inspection company in Western Guangdong. The Company may also identify acquisition opportunities which may benefit the Company's further growth. The Company will continue to keep its shareholders and potential investors abreast of any relevant material development by making further announcement(s) as and when appropriate in accordance with the requirements under the GEM Listing Rules.

Save as disclosed, the Company does not have any plans for material investments and capital assets acquisitions for the coming 12 months.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2024, the Company had 114 employees (31 December 2023: 82 employees).

The Company's employee benefit expenses mainly includes salaries, discretionary bonuses, housing, medical insurance and other social insurance. During the year ended 31 December 2024, the Company's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB18.59 million (2023: RMB13.11 million). Remuneration is determined generally with reference to the qualification, experience and work performance of the relevant employee, whereas the payment of discretionary bonus is generally subject to work performance of the relevant employee, the financial performance of the Company and general market conditions.

EVENT AFTER REPORTING YEAR

The Company did not have any material subsequent event after the year ended 31 December 2024 and up to the date of this report.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the listing of the Company after deducting listing related expenses amounted to approximately HK\$54.4 million (the "Actual Net Proceeds"). These proceeds were intended to be utilised over the three years from September 2024 to December 2026.

As at 31 December 2024, an adjusted allocation in the same manner and same proportions as shown in the Prospectus and the actual use of the Actual Net Proceeds are as follows:

Business objective	Planned use of net proceeds as stated in the Prospectus HK\$'000	Change of allocation of the unutilised net proceed HK\$'000	Revised allocation of unutilised net proceeds HK\$'000	Actual use of proceeds for from the Listing Date to 31 December 2024 HK\$'000	Unutilised net proceeds as at 31 December 2024 HK\$'000	Expected timeline for utilising the unutilised net proceeds
Expanding the construction engineering testing services to achieve Comprehensive Qualification under the Qualification Standards of Construction Engineering Quality Inspection Agencies and strengthen the existing construction engineering testing and inspection services	14,950.3	—	—	1,669.9	13,280.4	By 31 December 2026
Strengthening the existing market presence in Maoming and expanding the service footprint into the 3rd to 5th tiers cities in Western Guangdong	15,102.3	—	—	—	15,102.3	By 31 December 2026
Diversifying the testing and inspection services beyond construction engineering and expanding into areas including food and agricultural, transportation and fire protection	20,327.9	—	—	489.7	19,838.2	By 31 December 2026
Upgrading the ERP system	3,000.4	—	—	—	3,000.4	By 30 June 2025
General working capital	1,019.6	—	—	506.5	513.1	By 30 June 2026
Total	54,400.5	—	—	2,666.1	51,734.4	

Management Discussion and Analysis

The Directors confirm that there is no material change in the nature of business of the Company. Save as disclosed above, the remaining unutilised net proceeds will be used based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The unutilised net proceeds have been placed as interest bearing deposits with banks in the PRC.

PROSPECTS

Market Outlook

1. *Future prospects*

With the implementation of the Administrative Measures for the Quality Inspection of Highway and Waterway Engineering (《公路水運工程質量檢測管理辦法》) (Jiao Tong Yun Shu Bu Ling [2023] No. 9), the Department of Transport of Guangdong Province will accelerate efforts to strengthen national and provincial transportation capabilities, excellently complete the 14th Five-Year Plan targets and scientifically formulate the 15th Five-Year Plan, thereby contributing to the "Project for the High-Quality Development of Hundreds of Counties, Thousands of Towns and Tens of Thousands of Villages (百縣千鎮萬村高質量發展工程)" and the "Green and Beautiful Guangdong Ecological Development Initiative" (綠美廣東生態建設) as a pioneer in transport development. On 11 December 2024, the introduction of the Administrative Measures for Investment Projects within the Central Budget for Water Conservancy (《水利中央預算內投資專項管理辦法》) (Fa Gai Nong Jing Gui [2024] No. 1761) has created new growth opportunities for the water conservancy testing market. This policy will benefit the Company in acquiring water conservancy engineering testing qualifications and expanding its water conservancy testing business.

Supported by these policies, the Company will actively expand its business and seize market opportunities by focusing on testing areas, including food and agricultural products testing, transportation engineering, water conservancy engineering and fire protection testing to achieve diversified development and enhance its overall competitiveness and market influence.

Management Discussion and Analysis

2. *Potential risks faced by the Company*

- (1) Our business may be affected by the development of China's property development, construction and infrastructure sectors, which are beyond our control.

We provide our construction engineering testing and inspection services mainly to property developers and construction companies, state-owned investment companies, relevant PRC government institutions and PRC government administrative bureaus. The number of projects of our customers is subject to the macroeconomic conditions and fixed asset investment. In particular, 59.3%, 30.9%, 35.8% and 28.6% of our revenue for 2021, 2022, 2023 and 2024 were generated from the property developers. We expect the property developers to continue to be one of our customers types. As a result, our financial performance is correlated to the performance of the PRC real estate market, which is sensitive to economic fluctuations and relevant regulatory rules and policies. In recent years, the national real estate development investment has experienced a slowdown, with a 10% year-on-year decrease from RMB11.1 trillion in 2023 to RMB10.03 trillion in 2024, which has adversely affected the business and financial position of our customers.

The Company has established a dedicated department for the above risks, which closely monitors policy developments from relevant regulatory authorities and regularly reports to management. The Company has also continued personnel training across testing sectors to strengthen risk resilience and proactively respond to policy risks. In addition, the Company has refined its marketing strategy to correct public misconceptions that equate its services solely with housing inspections. By highlighting its strengths in municipal engineering testing and urban renewal projects for older residential communities, the Company will showcase its diversified testing capabilities through multiple channels and dimensions to reshape market perceptions.

Management Discussion and Analysis

- (2) Our business operation is concentrated in Maoming, Guangdong Province, and our business, financial position and result of operation are affected by the status of development in economic conditions, government policies or business environment in this region.

Our business operation is predominantly concentrated in Maoming, Guangdong Province. During the year ended 31 December 2024, the majority of our revenue was generated from our testing and inspection services relating to construction and infrastructure works in Maoming. We expect that Western Guangdong, in particular Maoming, will remain to account for a significant portion of our operations in the near future. Due to such concentration, and due to the fact that the provision of construction engineering T&I services is a regulated industry in the PRC, our business, financial position and result of operation are affected by the status of development in government policies or business environment in Maoming or in Western Guangdong (such as any change in the economic conditions, development prospect and pace of urbanisation, and any shift in government policies and regulations regarding the property development, construction and testing and inspection industries).

To mitigate risks associated with business concentration in Maoming, the Company will reduce its reliance on a single region and strengthen the Company's risk resilience through market expansion to the Pearl River Delta and other cities, diversification of service offerings, promptly adapting our business strategies in response to the change in policy and other risk management measures.

Management Discussion and Analysis

- (3) We may be unable to obtain, retain or renew required permits, licences, registrations or certificates for our business operations.

We are required to maintain certain permits, licences, registrations and certificates issued by relevant PRC government agencies, such as the Construction Engineering Quality Inspection Agency Qualification Certificate and the Inspection and Testing Agency Qualification Certificate. Under the 2023 Administrative Measures and the Qualification Standards of Construction Engineering Quality Inspection Agencies, a new qualification standard for the Construction Engineering Quality Inspection Agency Qualification Certificate will be introduced comprising the Comprehensive Qualification and Specialised Qualifications. Existing construction engineering quality inspection agency is granted a transition period till 31 October 2025 to apply for a new qualification certificate according to such standard. In the event that the Company fails to meet the above-mentioned transition deadline (and any extension thereof by the relevant administrative authority) and does not obtain the Specialised Qualifications timely, the current Construction Engineering Quality Inspection Agency Qualification Certificate held by the Company will become invalid after the transition period, and the Company will not be allowed to engage in construction engineering quality inspection operation until we successfully obtain relevant Specialised Qualifications thereafter and we will not be able to provide any construction engineering testing and inspection services to our customers and generate any revenue following the transition period until the Specialised Qualifications are obtained, which will materially and adversely affect our business operations.

To address this risk, the Company have formulated a comprehensive qualification management strategy to ensure timely re-assessment of the Construction Engineering Quality Inspection Agency Qualification Certificate and updates to qualifications thereof. The Company will also closely monitor policy developments and communicate with competent authorities to ensure business continuity and compliance.

Management Discussion and Analysis

- (4) Decision-making and integration risks associated with mergers and acquisitions (M&A) by the Company.

To sustain long-term growth, the Company may pursue M&A activities in the future to integrate and synergize resources, enhance market competitiveness, expand business scope and optimise resource allocation. However, M&A processes involve complex decision-making and integration, posing various inherent risks.

Adhering to prudent principles, the Company conducts thorough due diligence, comprehensive evaluations, and return-on-investment analyses during the pre-acquisition phase. By recruiting industry professionals with integration expertise to collaborate in operational management and continuously monitoring whether investments align with plans and expectations, the Company aims to strengthen post-investment management. Pursuant to the Articles, the Board will engage experts and professionals to evaluate significant investment matters and submit them to a Shareholders' meeting for approval, thereby enhancing the scientific rigor and quality of major investment decisions.

Business Objectives of the Company

1. ***Expanding the construction engineering testing services to achieve Comprehensive Qualification under the Qualification Standards of Construction Engineering Quality Inspection Agencies and strengthen the existing construction engineering testing and inspection services.***

In order to conduct all existing construction engineering testing and inspection businesses of the Company, we need to acquire six out of the nine Specialised Qualifications. These include building materials and components, main structure and decoration, foundation, building energy-saving, municipal engineering materials, and road works.

In the qualification application action plan, the Company has met all reputation and management requirements prior to the Listing. Within one month after the Listing, the Company has completed the procurement and installation of equipment required for qualification applications. Currently, the Company has fulfilled all requirements (including personnel) of the six Specialised Qualifications.

Management Discussion and Analysis

2. *Strengthening the existing market presence in Maoming and expanding the service footprint of the Company into the 3rd to 5th tiers cities in Western Guangdong.*

Founded in 2000 and headquartered in Xinyi City, Maoming, we have grown in terms of revenue generated from testing and inspection services.

Being headquartered in Xinyi City, Maoming provides us with a strategic advantage. We are geographically close to the cities in Western Guangdong, allowing us to easily reach our customers and provide prompt services. Our local presence enables us to understand the unique needs and dynamics of these cities. Operating in the region also enables us to provide our professional services at a relatively lower overhead costs, including lower transportation and labor expenses. This can positively impact our profitability and financial performance, allowing us to offer competitive pricing while maintaining quality service delivery. Over the years, we have built an extensive network of contacts and partnerships in the region. This network strengthens our ability to serve our customers effectively. We have established relationships with local government agencies, construction companies, and other key stakeholders, enabling us to navigate the local business environment and collaborate closely with our clients. During the years, we successfully tapped into some of the 3rd to 5th tiers cities in Maoming including Gaozhou City and Huazhou City. These cities are undergoing rapid urbanisation and infrastructure development. As these cities expand, new construction projects emerge, including residential complexes, commercial buildings, industrial facilities, and transportation infrastructure. The need for testing and inspection services arises to ensure the quality, safety, and compliance of these projects. With the implementation of stricter regulations and building codes, these cities are placing greater emphasis on compliance and quality control. Local authorities are enforcing higher standards for construction projects to meet safety and environmental requirements, which also drive the demand for testing and inspection services.

The increasing demand for construction engineering testing and inspection services in 3rd to 5th tiers cities in Western Guangdong is driven by urbanisation, regulatory compliance, quality assurance needs and government support. As these cities continue to grow and develop, the demand for reliable and comprehensive testing and inspection services is expected to further increase. We believe our past operation as well as our strategic location of services have laid a solid foundation for steady future growth. In addition, leveraging our stable customer base and stringent quality controls, we are able to continue to provide reliable testing and inspection services chosen by our customers.

Management Discussion and Analysis

3. *Diversifying the testing and inspection services offering, and expanding into areas including food and agricultural, transportation and fire protection.*

Due to the diverse nature of customer testing requirements, comprehensive network service capabilities are essential for meeting these demands. Given the dispersed and varied nature of testing needs, inspection organisations require an extensive product portfolio and professional and attentive "one-stop" services. Considering the current growth in the property development industry in China, we have recognised the importance of managing operational risks and diversifying our customer base. In line with this strategy, we plan to expand our service offerings into new areas. This expansion will enable us to tap into additional markets and reach a wider range of customers. By diversifying our services, we aim to enhance the stability and sustainability of our operations while capitalising on new opportunities for growth. Our objective is to expand our range of T&I services by venturing into new testing areas, specifically food and agricultural products T&I, transportation engineering and fire protection testing. This expansion will allow us to cater to a wider range of customers' needs and provide comprehensive solutions in these domains. We intend to further expand our service offerings into (i) food and agricultural products T&I focusing on areas such as heavy metals, microorganisms, additives, agricultural chemicals in food, medicinal materials, feed residues, and antibiotics testing; (ii) transportation construction testing, encompassing testing of road infrastructure and construction structures, including expressways, national and provincial roads; and (iii) fire protection T&I, including the evaluation of fire prevention systems, such as automatic alarm systems, automatic sprinkler systems, fire hydrant systems, and other fire safety measures in buildings.

Currently, the Company has successfully passed the Class C accreditation for transportation testing, with the qualification certificate thereof pending issuance. For food and agricultural products, the Company has obtained the Certificate of Compliance of Agricultural Product Quality and Safety Inspection Organisation (農產品質量安全檢測機構考核合格證書) with 242 testing parameters. The Company will endeavour to identify acquisition targets with qualifications for transportation testing and/or with water conservancy engineering testing qualifications in 2025, and establish a fire protection testing company or acquire a company in Western Guangdong with necessary qualifications for fire protection testing and inspection in 2026. Going forward, the Company will endorse the fire protection T&I services provided by its acquisition targets by leveraging the Company's long-standing presence in the testing industry with good reputation and brand recognition and its background as a state-owned enterprise.

Management Discussion and Analysis

Conclusion

The Company is confident for its sustainable growth and believes that its management team with extensive industry experience and its agile operations team are able to adapt to the rapid changes of the demand from the T&I industry and adjust the business strategy in accordance with market trends.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

The Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lai Feng (賴鋒), aged 45, is the chairman of the Board, executive Director and the general manager of the Company and joined the Company in January 2013. He is responsible for the overall business strategies and operations of the Company. Mr. Lai was appointed as a Director on 7 July 2023 and re-designated as an executive Director on 26 October 2023. He has been the legal representative of the Company since January 2013.

Mr. Lai has 24 years of experience in business management and quality engineering in the construction industry. From January 2013 to July 2023, Mr. Lai was a station manager of the Company. From July 2023 till now, Mr. Lai has been the chairman of the Board and the general manager of the Company. Prior to joining the Company, Mr. Lai served as a supervisor of Guangdong Xizhu Architectural Design Co., Ltd. (廣東悉築建築設計有限公司) from August 2000 to July 2003 and was responsible for construction site supervision. From August 2003 to December 2012, Mr. Lai was a cost estimator of Xinyi City Bureau of Housing and Urban-Rural Development and was responsible for cost estimation for construction projects. From March 2023 till now, Mr. Lai has been a director and a deputy general manager of Xinyi Xinhui, a substantial shareholder of the Company, and is responsible for overseeing the overall management and operations of the company.

Mr. Lai graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in January 2018. Mr. Lai qualified as an architectural technician in 2001 and assistant construction engineer in 2003 by the Xinyi Personnel Bureau (信宜市人事局) which was reformed into Human Resources and Social Security Bureau (人力資源和社會保障局) since August 2023. Mr. Lai also obtained a qualification certificate for Construction Costing Engineer in 2008 issued by the Maoming Municipal Personnel Bureau (茂名市人事局). He also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) of the PRC in February 2018.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Huang Fei (黃飛), aged 49, is an executive Director and deputy general manager of the Company and joined the Company in August 2015. He is responsible for the overall operations of the Engineering Monitoring and Mapping Department (工程監測與測繪部) and Structural Engineering Inspection Department (結構工程檢測部) of the Company. Mr. Huang was appointed as an executive Director on 26 October 2023.

Mr. Huang has 12 years of experience in business management in the construction industry. From August 2015 to January 2016, Mr. Huang served as an inspector of the Company and was responsible for conducting testing and inspections on construction works and construction materials. From February 2016 to July 2023, Mr. Huang served as a deputy station manager of the Company and was responsible for overseeing the Engineering Monitoring and Mapping Department and Structural Engineering Inspection Department of the Company. From July 2023 till now, Mr. Huang served as a deputy general manager of the Company. Prior to joining the Company, Mr. Huang served as a staff member of Xinyi Bulk Cement Office (信宜市散裝水泥辦公室) from September 2012 to August 2015 and was responsible for general matters of the office.

Mr. Huang graduated from Zhanjiang Normal College (湛江師範學院) (currently known as Lingnan Normal University (嶺南師範學院)) in the PRC with an undergraduate degree in Chinese language and literature (distance learning) (漢語言文學專業本科(函授)) in January 2012. Mr. Huang also obtained the qualification for intermediate engineer in construction engineering management issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in May 2021.

Ms. Mai Jiayu (麥家瑜, former name: Mai Hanlian (麥漢連)), aged 37, is an executive Director and a deputy general manager of the Company and joined the Company in January 2014. She is responsible for the overall day-to-day management of the business operations of the Company, the Corporate General Management Department and overall operations of the Road, Bridge and Water Resources Inspection Department (路橋與水利檢測部) of the Company. Ms. Mai was appointed as a Director on 7 July 2023 and re-designated as an executive Director on 26 October 2023.

Ms. Mai has 11 years of experience in construction engineering management and quality engineering in the construction industry. From January 2014 to August 2021, Ms. Mai served as an inspector of the Company and was responsible for conducting testing and inspections on construction works and construction materials. From August 2021 to July 2023, Ms. Mai served as a deputy station manager of the Company and was responsible for overseeing the overall operations of the Company. From July 2023 till now, Ms. Mai has been serving as a deputy general manager of the Company.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Mai graduated from China University of Geosciences (中國地質大學) with an undergraduate degree in civil engineering (distance learning) in January 2013. Ms. Mai obtained a qualification for assistant engineer in construction engineering management issued by the Xinyi City Human Resources and Social Security Bureau (信宜市人力資源和社會保障局) in December 2015. Ms. Mai obtained a qualification for intermediate geotechnical engineer issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in May 2019. She also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) of the PRC in August 2023.

Mr. Zhang Xihua (張喜華), aged 37, is an executive Director, a deputy general manager and a technical director (技術負責人) of the Company and joined the Company in August 2010. He is responsible for supervising the overall operations of the Foundation Testing Department I (地基基礎檢測一部) and overseeing the technical aspects of testing and inspection processes. Mr. Zhang was appointed as an executive Director on 26 October 2023 and the technical director on 28 November 2024.

Mr. Zhang has 14 years of experience in quality engineering in the construction industry. From August 2010 to August 2021, Mr. Zhang was an inspector of the Company and was responsible for conducting testing and inspections on construction works and construction materials. From September 2021 to July 2023, Mr. Zhang was a deputy station manager of the Company and was responsible for overall management of foundation testing projects. From July 2023 till now, Mr. Zhang has been a deputy general manager of the Company and is responsible for supervising and monitoring the overall operations of the Foundation Testing Department I.

Mr. Zhang graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in January 2014. Mr. Zhang also obtained a qualification for top laboratory engineer issued by the JYPC National Vocational Qualification Examination and Certification Center (JYPC全國職業資格考試認證中心) in January 2016 and a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) of the PRC in August 2023.

Biographical Details of Directors, Supervisors and Senior Management

Non-executive Directors

Ms. Zou Chan (鄒嬋), aged 34, is a non-executive Director and the head of the Foundation Testing Department (基礎檢測部) of the Company and joined the Company in March 2013. She is responsible for the supervision of the management of the Company and day-to-day operations of the Foundation Testing Department of the Company. Ms. Zou was appointed as a Director of the Company on 7 July 2023 and re-designated as a non-executive Director on 26 October 2023.

Ms. Zou has 12 years of experience in quality engineering in the construction industry. From September 2021 to August 2024, Ms. Zou served as the head of the Foundation Testing Department I (地基基礎檢測一部) of the Company and was responsible for coordinating its inspection operations. From September 2024 till now, Ms. Zou has severed as the head of the Foundation Testing Department and is responsible for overseeing and managing its day-to-day operations. Ms. Zou obtained a qualification certification for senior engineer in construction engineering inspection issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in September 2024.

Mr. Chen Guangfu (陳光富), aged 40, is a non-executive Director and joined the Company in October 2023. Mr. Chen is responsible for supervision of the management of the Company. Mr. Chen was appointed as a non-executive Director on 26 October 2023.

Mr. Chen has 18 years of experience in project management and financial industry. Prior to joining the Company, from December 2006 to April 2013, Mr. Chen served as a project manager of the pledging and finance center of the China Material Storage & Transportation Guangzhou Company (中國物資儲運廣州公司) and he was responsible for project management, product development, client management and provision of employee training. From May 2013 to September 2022, Mr. Chen served as a product manager of transaction banking department of the Guangdong South Guangdong Bank Co., Ltd. (廣東南粵銀行股份有限公司) and he was responsible for developing, maintaining and promoting asset products and corresponding systems, assisting and supervising branch business marketing, risk asset control and overall operational analysis of the transaction banking department. From July 2023 till now, Mr. Chen served as a manager of finance and capital management department of Xinyi Xinhui and he is responsible for establishing and maintaining communication and cooperative relations with financial institutions and relevant government authorities, conducting industrial research and formulating the investment and financing procedures and systems.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Chen graduated from Huizhou College (惠州學院) in the PRC with a bachelor's degree in economics in June 2006. Mr. Chen also obtained a vocational qualification certificate of foreign trader issued by the Ministry of Commerce of the PRC in December 2005 and an intermediate qualification certificate of speciality and technology in business administration issued by the Ministry of Human Resources and Social Security of the PRC in February 2013.

Independent Non-executive Directors

Ms. Liu Hongge (劉紅哥), aged 54, is an independent non-executive Director who is responsible for supervising and providing independent judgment to the Board. Ms. Liu joined and was appointed as an independent non-executive Director on 13 August 2024.

Ms. Liu has 30 years of experience in business management in the finance industry. From September 1994 to August 1996, Ms. Liu was a business assistant of the securities department of China Vanke Co., Ltd. (萬科企業股份有限公司), company listed on the Stock Exchange (stock code: 2202), and was responsible for assisting the secretary of the board in managing investor relation and engaging in equity investment. From September 1999 to March 2002, Ms. Liu served as a senior manager of the research department, CITIC Securities Company Limited (中信証券股份有限公司), a company dually listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030), and was responsible for conducting macroeconomic and capital market research. From August 2004 to November 2006, Ms. Liu served as a co-director of Corporate Ratings, Fitch Ratings (惠譽評級公司) and was responsible for overseeing the corporate ratings department in Greater China. From December 2006 to August 2008, Ms. Liu served as a director of Anglo Chinese Investment Banking Group, Hong Kong, China (中國香港英高投資銀行集團) and was responsible for assisting companies in China to go public in Hong Kong. From October 2008 to April 2013, Ms. Liu worked at CCB International (China) Limited (建銀國際(中國)有限公司) with her last held position as a senior analyst and was responsible for financial analysis of the company. From May 2013 to November 2014, she served as a deputy head of research division of CCB International Securities Limited and was responsible for financial research and analysis of the company. From November 2014 to July 2017, Ms. Liu served as an assistant managing director of CCB International Capital Limited and was responsible for overseeing the investment banking business in Hong Kong. From March 2018 to March 2020, Ms. Liu served as a director and general manager of Taikang Healthcare Investment Holdings Co., Ltd. (泰康健康產業投資控股有限公司) and was responsible for investment research and post-investment management. From May 2020 to July 2021, Ms. Liu served as an executive director of the sector team of the corporate finance department of Haitong International Securities Group Limited, Beijing Representative Office (海通國際證券集團有限公司北京代表處), shares of which were listed on the Stock Exchange (stock code: 665) until its privatisation on 11 January 2024, and was responsible for overall business strategies and operation of the team. From August 2021 to January 2023, Ms. Liu

Biographical Details of Directors, Supervisors and Senior Management

served as the chief financial officer of Shanghai Elite Healthcare Management Co., Ltd. (上海菁華醫療管理有限公司) and was responsible for the financial and investment management of the company. Ms. Liu joined HitGen Inc. (成都先導藥物開發股份有限公司), company whose shares are listed on the Shanghai Stock Exchange (stock code: 688222), and has been serving as their chief financial officer since January 2023 and was responsible for the financial management of the company.

Ms. Liu graduated from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in the PRC with a doctorate degree in economics in July 1999. She also graduated from Judge Business School, University of Cambridge with an MBA in July 2009. She graduated from Southwest University of Finance and Economics (西南財經大學) in the PRC with a bachelor's degree in economics in July 1991 and a master's degree in economics in June 1994. She also obtained a qualification of chartered financial analyst issued by the Chartered Financial Analyst Institution in September 2006.

Ms. Deng Dian (鄧點), aged 40, is an independent non-executive Director who is responsible for supervising and providing independent judgement to the Board. Ms. Deng joined and was appointed as an independent non-executive Director on 13 August 2024.

Ms. Deng has over 17 years of experience in corporate finance industry. She is currently the managing director of Maxa Capital Limited (邁時資本有限公司) and is responsible for advising on corporate finance regulated activities as defined under the SFO. Prior to that, she served as an executive of Anglo & International Corporate Finance, Limited, the London office of the Anglo Chinese Group from January 2008 to September 2008, and was responsible for financial analysis. From October 2008 to April 2020, she worked at Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司), the Hong Kong headquarter of the Anglo Chinese Group, with her last held position as its director since January 2016, and was responsible for advising on corporate finance regulated activities as defined under the SFO and overseeing the overall operation of the company.

Ms. Deng graduated from the University of Oxford with a degree of master of science in management research in September 2007 and graduated from Nanjing University (南京大學) with a degree of bachelor in business administration in June 2006.

Mr. Luo Qiling (羅啟靈), aged 48, is an independent non-executive Director who is responsible for supervising and providing independent judgment to the Board. Mr. Luo joined and was appointed as an independent non-executive Director on 13 August 2024.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Luo has 22 years of experience in research and engineering in the construction industry. From March 2003 to August 2006, he served as the director of technical department and an engineer of the Research Institute of Structural Engineering, Shenzhen University (深圳大學結構工程研究所), and was responsible for scientific research on the durability of concrete structures and testing of construction materials. From September 2006 till now, he served as a professorate senior engineer and senior experimenter of the College of Civil and Transportation Engineering, Shenzhen University (深圳大學土木與交通工程學院), the deputy director of Guangdong Provincial Key Laboratory of Durability for Marine Civil Engineering (廣東省濱海土木工程耐久性重點實驗室), the head of quality of the Research Institute of Structural Engineering, Shenzhen University (深圳大學結構工程研究所) and was engaged in research on the civil engineering and construction related topics.

Mr. Luo graduated from Shenzhen University (深圳大學) with a master's degree, majoring in architecture and civil engineering in December 2008. He also graduated from Chongqing University (重慶大學) in July 2000, majoring in inorganic non-metallic materials. Mr. Luo is studying Ph.D. in Civil and Hydraulic Engineering in the School of Civil Engineering of Tianjin University (天津大學).

SUPERVISORY COMMITTEE

The Supervisory Committee currently consists of five members.

Mr. Wu Weiyuan (吳威源), aged 32, is the Supervisor and the chairman of the Supervisory Committee and joined the Company in January 2021. Mr. Wu is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of the Company.

Mr. Wu has nine years of experience in the property development and construction industry. Mr. Wu joined the Company in January 2021 as an inspector. From January 2021 till now, Mr. Wu has been serving as an inspector of the Company and was responsible for conducting testing and inspections on construction works and construction materials. Since 7 July 2023, Mr. Wu has been a Supervisor. Prior to joining the Company, Mr. Wu served as a general staff of Dongguan Zhongzheng Real Estate Development Co., Ltd. (東莞市中正房地產開發有限公司) from July 2015 to October 2020 and was responsible for leasing activities.

Mr. Wu graduated from Guangdong Institute of Science and Technology (廣東科技學院) in the PRC with a bachelor's degree in marketing in June 2015. Mr. Wu also obtained a qualification for assistant engineer, building inspection issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in September 2023.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Chen Haibin (陳海濱), aged 36, is the Supervisor and joined the Company in September 2017. Mr. Chen is primarily responsible for supervising the Board and the senior management of the Company.

Mr. Chen has seven years of experience in business management in the construction industry. Mr. Chen joined the Company since September 2017 as an office staff and is responsible for the day-to-day administrative affairs of the Company. Since 7 July 2023, Mr. Chen has been a Supervisor. Mr. Chen graduated from Nankai University (南開大學) in the PRC with an undergraduate degree in Chinese language and literature (distance learning) in January 2023. Mr. Chen also obtained a qualification for assistant engineer in, building inspection issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in August 2024.

Mr. Zhou Kelin (周科霖, former name: Zhou Xiangyun (周祥雲)), aged 32, is a Supervisor and joined the Company in June 2016. Mr. Zhou is primarily responsible for supervising the Board and the senior management of the Company.

Mr. Zhou has eight years of experience in quality engineering in the construction industry. From June 2016 to August 2021, Mr. Zhou served as an inspector of the Company and was responsible for conducting testing and inspection on construction works and construction materials. In September 2021, he became the head of Structural Engineering Inspection Unit 2, responsible for coordinating and managing the inspection work of the Unit. From September 2023 till now, Mr. Zhou has been serving as the deputy head of Structural Engineering Inspection Department and is responsible for overseeing its overall operations. Since 7 July 2023, Mr. Zhou has been a Supervisor of the Company.

Mr. Zhou graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in January 2023. Mr. Zhou also obtained a qualification for assistant engineer, building inspection issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in December 2022.

Ms. Zhang Zhihang (張志航), aged 38, is a Supervisor and joined the Company in March 2022. Ms. Zhang is primarily responsible for supervising the Board and the senior management of the Company.

Ms. Zhang has 14 years of experience in project management in the construction industry. From December 2022 till now, Ms. Zhang has been serving as the deputy head of the Road, Bridge & Water Resources Inspection Department of the Company and was responsible for the management of inspection projects. Since 7 July 2023, Ms. Zhang has been a Supervisor. From March 2011 to February 2022, Ms. Zhang served as a project manager of Maoming Xinyi Construction Engineering Company (茂名市信宜建築工程公司) and was responsible for staff management and monitoring safety of construction projects.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Zhang graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in July 2015. Ms. Zhang also obtained a qualification for senior engineer in construction engineering inspection issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in September 2024.

Mr. Chen Shende (陳深德), aged 32, is a Supervisor and joined the Company in February 2013. Mr. Chen is primarily responsible for supervising the Board and the senior management of the Company.

Mr. Chen has 12 years of experience in quality engineering in the construction industry. From February 2013 to September 2021, Mr. Chen served as an inspector in the Company and was responsible for conducting testing and inspections on construction works and construction materials. From September 2021 till now, Mr. Chen has been serving as the Head of the Engineering Monitoring and Mapping Department the Company and was responsible for the overall operations of the department. Since July 2023, Mr. Chen has been a Supervisor.

Mr. Chen graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in January 2023. Mr. Chen also obtained a qualification for intermediate geotechnical engineer issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in July 2023.

SENIOR MANAGEMENT

Mr. Liu Dongxue (劉冬雪), aged 38, is the chief financial officer and joint company secretary of the Company and joined the Company on 16 November 2023. He is responsible of the financial management of the Company.

Mr. Liu has 12 years of experience in accounting and financial management in the property management industry. From February 2013 to September 2014, Mr. Liu worked at Tianjin Xinronghong Real Estate Development Company Limited (天津欣榮宏房地產開發有限公司) with his last held position as the finance supervisor, and he was responsible for the company's overall accounting, internal control management and day-to-day financial management. He studied for a master's degree in business management in Tianjin University of Finance and Economics (天津財經大學) from September 2014 to December 2016. From March 2016 to January 2022, Mr. Liu worked at the Beijing Ziguang Technology Service Group Co. (北京紫光科技服務集團有限公司) with his last held position as the chief financial officer of Suzhou Ziguang Kecheng Technology Development Co., Ltd. (蘇州紫光科城科技發展有限公司) and was responsible for audit account processing and statements,

Biographical Details of Directors, Supervisors and Senior Management

developing and improving financial management and accounting. From June 2022 to October 2022, Mr. Liu served as the general manager of the financial management department of the Jiangsu Yunhu Modern Service Industry Group Co., Ltd. (江蘇雲湖現代服務產業集團有限公司) and was responsible for corporate financing, accounting, tax planning and reporting. From March 2023 to November 2023, Mr. Liu served as the chief accountant of Tianjin Hebei District Heat and Gas Supply Co., Ltd. (天津市河北區供熱燃氣有限公司) and was responsible for finance and administration management.

Mr. Liu graduated from Tianjin University of Finance and Economics in the PRC with a master's degree in business management in December 2016. Mr. Liu also graduated from Binhai College of Nankai University (南開大學濱海學院) in June 2011, majoring in financial management and subsequently obtained a bachelor's degree in management from Nankai University (南開大學). Mr. Liu has been a nonpracticing member of the Chinese Institute of Certified Public Accountants since March 2022. He also obtained license of the securities practitioner's licence in October 2010, a licensee of the futures practitioner's licence in November 2011 and a licensee of the fund practitioner's licence in March 2011. He obtained the qualification of Senior Accountant issued by the Human Resources and Social Security Department of Guangdong Province in September 2024.

Ms. Zhang Yue'e (張月娥), aged 41, is the head of Quality of the Company since May 2020 and joined the Company in June 2010. Ms. Zhang is primarily responsible for overseeing the operations of the Commonly-used Materials Inspection Department (常用材料檢測部) and Quality System Management Department (質量體系管理部) of the Company.

Ms. Zhang has 14 years of experience in quality engineering in the construction industry. Ms. Zhang joined the Company in June 2010 as an inspector. From June 2010 to May 2020, Ms. Zhang served as an inspector of the Company. From May 2020 till now, Ms. Zhang has been serving as the head of Quality of the Company and is primarily responsible for overseeing the operations of the Commonly-used Materials Inspection Department and Quality System Management Department. Ms. Zhang graduated from China University of Geosciences (中國地質大學) in the PRC with an undergraduate degree in civil engineering (distance learning) in July 2023. Ms. Zhang also obtained a qualification for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in September 2024.

Mr. Lu Feihua (陸飛華), aged 38, is the deputy general manager and a technical director of the Company, and joined the Company in May 2013. Mr. Lu is responsible for overseeing the operations of the Foundation Testing Department II (地基基礎檢測二部) and overseeing the technical aspects of testing and inspection processes of the Company.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Lu has 14 years of experience in technology operations. From May 2013 to January 2016, Mr. Lu served as an inspector of the Company and was responsible for conducting testing and inspections on construction works and construction materials. From February 2016 to July 2023, Mr. Lu served as a deputy station manager of the Company and was responsible for overseeing the operations of the Foundation Testing Department II. From May 2020 till now, Mr. Lu has been serving as the head of Technology of the Company. From July 2023 till now, he has been serving as a deputy general manager of the Company. Prior to joining the Company, Mr. Lu served as a technician of Guangdong Hangxiao Steel Structure Co., Ltd. (杭蕭鋼構(廣東)有限公司), a wholly-owned subsidiary of Hangxiao Steel Structure Co., Ltd. (杭蕭鋼構股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600477) from July 2010 to April 2013 and was responsible for providing technical support.

Mr. Lu graduated from Guangzhou University (廣州大學) in the PRC with a bachelor's degree in civil engineering in April 2013. Mr. Lu also obtained a qualification for intermediate geotechnical engineer issued by the Maoming Municipal Human Resources and Social Security Bureau (茂名市人力資源和社會保障局) in December 2017.

JOINT COMPANY SECRETARIES

Mr. Liu Dongxue and Ms. Cheung Lai Ha were appointed as joint company secretaries of the Company on 6 September 2024. Ms. Cheung Lai Ha resigned as the joint company secretary on 21 March 2025 due to her departure from Computershare Hong Kong Investor Services Limited and Mr. Ng Tung Ching Raphael was appointed as the joint company secretary of the Company on 21 March 2025, and he and Mr. Liu Dongxue jointly serve as the joint company secretaries.

Mr. Liu Dongxue (劉冬雪), aged 38, is the chief financial officer and joint company secretary of the Company. For details of his biographical details, please see the subsection headed "Senior Management" in this section above.

Mr. Ng Tung Ching Raphael (吳東澄), was appointed as a joint company secretary with effect from 21 March 2025. Mr. Ng is a seasoned professional with over 14 years of extensive experience in the legal and company secretarial domains, specializing in corporate governance and compliance. He currently serves as the Assistant Vice President, Entity Solutions of Computershare Hong Kong Investor Services Limited. Mr. Ng holds a Master's Degree in Chinese Business Law from The Chinese University of Hong Kong and a Master's Degree in Professional Accounting and Corporate Governance from The City University of Hong Kong. He earned his Bachelor's Degree in Law from Manchester Metropolitan University. Mr. Ng is an Associate Member of both The Hong Kong Chartered Governance Institute (the "HKCGI" formerly known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He also possesses the practitioner's endorsement from HKCGI.

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization that is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor for creating more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Company from time to time to ensure that the Company is led by an effective Board, in order to optimize the returns for Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the principles and the code provisions of the CG Code to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner. The Company is committed to maintain high standards of corporate governance to safeguard interest of the Shareholders and ensure the quality of the constitution of the Board and transparency and accountability to the Shareholders. Save as disclosed below, the Company had complied with all the provisions in the CG Code during the period from the Listing Date to 31 December 2024.

The roles of the chairman and the chief executive officer of the Company have not been separated as required by code provision C.2.1 of part 2 of the CG Code. The roles of the chairman of the Board and general manager of the Company are both performed by Mr. Lai Feng, an executive Director. The Board believes that vesting the roles of both chairman and general manager in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Lai Feng's extensive industrial experience and significant role in the historical development of the Company, the Board believes that it is beneficial to the business prospects of the Company that Mr. Lai Feng continues to act as the chairman and general manager of the Company after the listing of the Company, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive director and independent non-executive Directors.

Corporate Governance Report

DIRECTORS', SUPERVISORS AND SENIOR MANAGEMENT'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry to all Directors, Supervisors and members of the senior management of the Company, and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by Directors.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprised of four executive Directors, two non-executive Directors and three independent non-executive Directors. The name, office, date of appointment as a Director and length of tenure of each of the members of the Board are as follows:

Board members	Office	Date of appointment as Director	Length of tenure as at the date of this report
Mr. Lai Feng	Chairman of the Board, executive Director and general manager of the Company	7 July 2023	1.5 year
Mr. Huang Fei	Executive Director and deputy general manager of the Company	26 October 2023	1 year
Ms. Mai Jiayu	Executive Director and deputy general manager of the Company	7 July 2023	1.5 year
Mr. Zhang Xihua	Executive Director, deputy general manager and technical director of the Company	26 October 2023	1 year
Ms. Zou Chan	Non-executive Director and head of Foundation Testing Department I	7 July 2023	1.5 year
Mr. Chen Guangfu	Non-executive Director	26 October 2023	1 year
Ms. Liu Hongge	Independent non-executive Director	13 August 2024	< 1 year
Ms. Deng Dian	Independent non-executive Director	13 August 2024	< 1 year
Mr. Luo Qiling	Independent non-executive Director	13 August 2024	< 1 year

Corporate Governance Report

To the best knowledge of the Directors, there is no financial, business or family relationship among the members of the Board.

All Directors have given sufficient time and attention to the affairs of the Company. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. Biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

Meetings of the Board

Board meetings were held from time to time to discuss the business strategies of the Company, to monitor financial and operational performance, to approve the financial results of the Company, and to discuss the corporate governance functions of the Board.

Directors may participate either in person or through electronic means of communications. The individual attendance record of each Director at the meetings of the Board and the general meetings during the year ended 31 December 2024 is set out below:

Name of Director	Attendance/ Number of board meeting(s) held during a director's tenure	Attendance/ Number of general meeting held during a director's tenure
Executive Directors		
Mr. Lai Feng	10/10	4/4
Mr. Huang Fei	10/10	4/4
Ms. Mai Jiayu	10/10	4/4
Mr. Zhang Xihua	10/10	4/4
Non-executive Directors		
Ms. Zou Chan	10/10	4/4
Mr. Chen Guangfu	9/10	4/4
Independent Non-executive Directors		
Ms. Liu Hongge	2/2	2/2
Ms. Deng Dian	2/2	2/2
Mr. Luo Qiling	2/2	2/2

Corporate Governance Report

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. When queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible. All Directors have the opportunity to include matters in the agenda of board meetings. Notices of at least 14 days of board meetings are given to the Directors and the board procedures comply with the Articles, as well as relevant rules and regulations.

Functions and Duties of the Board

The overall management of the Company's operations is vested in the Board. The Board carries out its functions according to the powers conferred upon it by the Articles which have been uploaded onto the websites of the Hong Kong Stock Exchange and the Company, and since the date of uploading, no significant change has been made.

The main functions and duties conferred on the Board include:

- management of the overall business and strategic development;
- deciding business plans and investment plans;
- convening general meetings and reporting to the Shareholders;
- exercising other powers, functions and duties conferred by the Shareholders in general meetings; and
- performing corporate governance duties in compliance with the terms of reference set out in the CG Code.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- (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 in compliance with legal and regulatory requirements;

Corporate Governance Report

- (d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report; and
- (e) to develop, review and monitor the code of conduct of securities dealing applicable to relevant employees and directors.

The day-to-day management, administration and operations of the Company are delegated to the general manager and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Directors may have access to the advice and services of the company secretary of the Company to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice under appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate, appropriate, independent and professional advice to the Directors to assist the relevant Directors in discharging their duties.

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 comprises a majority of non-executive Directors.
- 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 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.
- Directors can upon reasonable request seek independent professional advice at the Company's expenses to discharge their duties.

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

Corporate Governance Report

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgement to the Board meeting and scrutinizing the Company's performance. Their views carry significant weight in the Board's decisions; in particular, they bring an impartial view to issues relating to the Company's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Company's business strategy, results and management to ensure that all interests of Shareholders are taken into account, and the interests of the Company and its Shareholders are protected.

The Board has three independent non-executive Directors in compliance with Rule 5.05(1) of the GEM Listing Rules, which requires that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, one independent non-executive Director, namely Ms. Liu Hongge, possess appropriate professional accounting qualifications or financial management expertise in accordance with Rule 5.05(2) of the GEM Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board, in compliance with Rule 5.05A of the GEM Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Company's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company.

The Directors have been informed of the requirement under code provision C.1.4 of part 2 of the CG Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the initial public offering process of the Company. In addition, the Directors received periodic updates on the GEM Listing Rules to help them stay abreast of the changing regulatory requirements. The Company also arranged training session with its legal adviser to help the Directors to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant.

Corporate Governance Report

The following table sets forth the training received by the existing Directors during the year ended 31 December 2024:

Name of Director	Attending seminars/ training programs	Reading materials
Executive Directors		
Mr. Lai Feng (<i>Chairman</i>)	✓	✓
Mr. Huang Fei	✓	✓
Ms. Mai Jiayu	✓	✓
Mr. Zhang Xihua	✓	✓
Non-executive Directors		
Ms. Zou Chan	✓	✓
Mr. Chen Guangfu	✓	✓
Independent non-executive Directors		
Ms. Liu Hongge	✓	✓
Ms. Deng Dian	✓	✓
Mr. Luo Qiling	✓	✓

Directors', Supervisors' and Officers' Insurance

Appropriate insurance covers on Directors', Supervisors' and officers' liabilities have been in force to protect the Directors, Supervisors and officers of the Company from their risk exposure arising from the business of the Company and, as at the date of this report, the Directors and officers of the Company are indemnified under a Directors', Supervisors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors, Supervisors and officers of the Company. The Directors, Supervisors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Appointments and Re-Election of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company, and is subject to re-election at an AGM at the end of the term in accordance with the Articles.

Corporate Governance Report

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the chairman and the general manager of the Company have not been separated as required by code provision C.2.1 of part 2 of the CG Code. The roles of the chairman of the Board and general manager of the Company are both performed by Mr. Lai Feng, an executive Director. The Board believes that vesting the roles of both chairman and general manager in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Lai Feng's extensive industrial experience and significant role in the historical development of the Company, the Board believes that it is beneficial to the business prospects of the Company that Mr. Lai Feng continues to act as the chairman and general manager of the Company following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive director and independent non-executive Directors.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee with defined terms of reference. The terms of reference of the board committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

Corporate Governance Report

Audit Committee

The Audit Committee was established on 6 September 2024 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.3 of part 2 of the CG Code. As at the date of this report, the Audit Committee comprises three members, namely Ms. Liu Hongge, Mr. Luo Qiling and Ms. Deng Dian. The chairlady of the Audit Committee is Ms. Liu Hongge, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. During the period from the Listing Date to 31 December 2024, the Company has fully complied with Rule 5.28 of the GEM Listing Rules.

The primary duties of the Audit Committee are to make recommendation to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control procedures of the Company.

During the period from the Listing Date to the date of this report, the Audit Committee mainly performed the following duties:

- (i) reviewed the Company's audited annual results for the year ended 31 December 2024, met with the external auditors to discuss such annual results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- (ii) reviewed the accounting principles and practices adopted by the Company, and recommended the appointment of the external auditors and the proposed audit fee; and
- (iii) assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the period from the Listing Date to 31 December 2024, one meeting was held by the Audit Committee. The attendance record of each member of the Audit Committee at the meeting of the Audit Committee is set out below:

Name of Director	Attendance/Number of Audit Committee meeting(s) held during a director's tenure
Ms. Liu Hongge	1/1
Mr. Luo Qiling	1/1
Ms. Deng Dian	1/1

Corporate Governance Report

There had been no disagreement between the Board and the Audit Committee during the period from the Listing Date to the date of this report.

Remuneration Committee

The Remuneration Committee was established on 6 September 2024 with written terms of reference in compliance with paragraph E.1 of part 2 of the CG Code. As at the date of this report, the Remuneration Committee comprises three members, namely Ms. Liu Hongge, Mr. Luo Qiling and Ms. Deng Dian. The chairlady of the Remuneration Committee is Ms. Liu Hongge.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of individual executive Directors, non-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).

During the period from the Listing Date to the date of this report, the Remuneration Committee mainly performed the following duties:

- reviewed the Company's remuneration policy and reviewed the remuneration package of the executive Directors, non-executive Directors and senior management for the period from the year ended 31 December 2024.

During the period from the Listing Date to 31 December 2024, one meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/Number of Remuneration Committee meeting(s) held during a director's tenure
Ms. Liu Hongge	1/1
Mr. Luo Qiling	1/1
Ms. Deng Dian	1/1

Corporate Governance Report

Nomination Committee

The Nomination Committee was established on 13 August 2024 with written terms of reference in compliance with paragraph B.3 of part 2 of the CG Code. As at the date of this report, the Nomination Committee comprises three members, namely Mr. Lai Feng, Mr. Luo Qiling and Ms. Liu Hongge. The chairman of the Nomination Committee is Mr. Lai Feng.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least once a year and to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships.

During the period from the Listing Date to the date of this report, the Nomination Committee mainly performed the following duties:

- reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence;
- reviewed the structure, size and composition of the Board during the period from the Listing Date to 31 December 2024;
- reviewed the Board Diversity Policy and workforce diversity policy; and
- reviewed the contribution and time commitment of the Directors for performance of their responsibilities.

The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

Corporate Governance Report

A "Nomination Policy" for Directors was formally adopted and this incorporated the nomination criteria and principles for Directors that are set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of directors of the Company; (ii) ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at Board level.

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 GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM 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; and
- 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.

Corporate Governance Report

Nomination Process

(i) Appointment of New Director

- (1) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (2) 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.
- (3) 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).
- (4) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (5) 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.

Corporate Governance Report

(ii) 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.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

During the period from the Listing Date to 31 December 2024, one meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/Number of Nomination Committee meeting(s) held during a director's tenure
Mr. Lai Feng	1/1
Mr. Luo Qiling	1/1
Ms. Liu Hongge	1/1

Corporate Governance Report

Board Skills Matrix

The following board skills matrix shows a breakdown of the diverse skills set of the Directors:

	Business management	Financial reporting/ banking	Related Industry Knowledge/ Experience
Executive Directors			
Mr. Lai Feng	✓		✓
Mr. Huang Fei	✓		✓
Ms. Mai Jiayu	✓		✓
Mr. Zhang Xihua	✓		✓
Non-executive Directors			
Ms. Zou Chan			✓
Mr. Chen Guangfu		✓	
Independent Non-executive Directors			
Ms. Liu Hongge	✓	✓	
Ms. Deng Dian	✓	✓	
Mr. Luo Qiling			✓

The skills matrix below sets out the skills and expertise of the Board enables the Board to effectively discharge its duties and responsibilities in attaining the Company's strategic objectives and achieving sustainable and balanced development for the Company.

SUPERVISORY COMMITTEE

As at the date of this report, the Supervisory Committee consists of five members, namely Mr. Wu Weiyuan, Mr. Chen Haibin, Mr. Zhou Kelin, Ms. Zhang Zhihang and Mr. Chen Shende.

During the year ended 31 December 2024, all members of the Supervisory Committee have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles and Rules of Procedures for the Supervisory Committee to protect the interests of the Shareholders and the Company.

Corporate Governance Report

DIVERSITY

Board Diversity

The Board has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Having implemented the Board Diversity Policy, we believe we have achieved gender diversity in respect of the Board: currently the Board comprises five (55.6%) males and four (44.4%) females, which is higher than the average of the listed issuers on the Stock Exchange in the properties & construction sector (based on "Board Diversity & Inclusion in Focus", the Stock Exchange repository). It is our goal to maintain female representation in the Board at a level that is not less than the average of listed issuers in Hong Kong in the same industry. The Company will continue to enforce and review our Board Diversity Policy. In particular, when the Board identifies potential Director candidates in the future, it will ensure that sufficient consideration will be given to gender diversity in light of the gender distribution of the boards of listed issuers on the Stock Exchange which operates in the same industry as the Company.

Workforce Diversity

As at 31 December 2024, the Company had a total workforce of 111 employees, of which 65.8% are males, and 34.2% are females. Among the senior management team of seven members, 71.4% (five) are male and 28.6% (two) are female.

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.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Company has appointed Ernst & Young as the external auditor of the Company. The remuneration paid or payable to Ernst & Young in respect of the Company's annual audit services and other non-audit services for the year ended 31 December 2024 amounted to approximately RMB0.78 million (value-added tax inclusive) and nil, respectively.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company for each financial year which shall give a true and fair view of the financial position, performance and cash flows of the Company for that financial year. The Directors acknowledge their responsibilities for preparing the financial statements of the Company. As at 31 December 2024, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditor, for the audit of the financial statements, are set out in the section headed "Independent Auditor's Report" in this report.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its overall responsibility for the Company's risk management and internal control systems and reviewing their effectiveness on an ongoing basis.

The risk management and internal control systems of the Company are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Company. The Company's risk management and internal control system are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures taken to address such variances and identified risks. The Company has established policies and procedures applicable to all operating units to ensure the effectiveness of risk management and internal controls systems. The Company also has a process for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2024. The day-to-day operations are entrusted to individual departments, which are accountable for their own conducts and performance, and are required to strictly adhere to the policies set by the Board. The Company carries out reviews of the effectiveness of the risk management and internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Company be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board and the Audit Committee considered that the key areas of the Company's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Company has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2024.

Corporate Governance Report

Objectives

The Board acknowledges its overall responsibility for overseeing the Company's risk management and internal control systems and ensures that a review of their effectiveness on ongoing basis. The Board has delegated and authorized its responsibilities of risk management to the Audit Committee, which is responsible for assisting the Board to evaluate and determine the nature and extent of the risks that the Company is willing to take to achieve its business strategic objectives and to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems and oversees the design, implementation and supervision of risk management and internal control systems. The Company's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to meet its business strategic objectives and to provide a reasonable, but not absolute, assurance against material misstatement or loss.

The management has confirmed to the Audit Committee and the Board that risk management and internal control systems were effective for the year ended 31 December 2024.

Main Features of the Risk Management and Internal Control Systems

The Company has established a risk governance organization structure with clear responsibilities and authorities.

The primary responsibilities of each parties of the Company's risk governance structure are summarized as follows:

(a) Board

It determines the business strategic objectives of the Company, and evaluates the nature and extent of the risks that the Company is willing to take to achieve the strategic objectives of the Company. It also ensures that the Company appropriately and effectively establishes and maintains risk management and internal control systems and oversees the overall design, implementation and supervision of risk management and internal control systems.

Corporate Governance Report

(b) Risk Control and Audit Department

As part of the management office's functions, it is responsible for coordinating and guiding the management to establish and operate the internal control systems, regularly supervising the Company's risk management and internal control systems, and making recommendations to the Board.

It assesses the effectiveness and adequacy of the Company's risk management and internal control systems and reports the findings for improvement of the identified control weaknesses or material systems deficiencies.

(c) Management

It is delegated and authorized to (i) design, implement and maintain risk management and internal control systems appropriately and effectively; (ii) identify, evaluate, manage and control the risks that may have potential and material impacts on the processes of the operations; (iii) monitor risks and take appropriate methods to mitigate risks; (iv) respond promptly to and follow up the findings of the risk management and internal control issues raised by the risk control and audit department; and (v) provide confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

Process for Identification, Assessment and Management of Material Risks

The processes used by the Company for identification, assessment and management of material risks are summarized as follows:

(a) Risk Identification

Identifies risks that may potentially and materially affect its strategies, business, operations and finance.

(b) Risk Evaluation

Evaluates the identified risks by using the designated risk assessment criteria developed by the management; and evaluates the potential impacts and the likelihood of their occurrence.

(c) Risk Response

Prioritizes the material risks by comparison of the risk assessment results; and determines the risk control strategies and internal control processes to avoid, prevent or mitigate the identified risks.

Corporate Governance Report

(d) Risk Reporting and Monitoring

Discusses about the results of risk management to the Board, the Audit Committee and the management regularly; continuously monitors the identified risks and ensures that internal control system processes appropriately; and reassesses the risk control strategies and internal control processes in case of any material changes in business and the external environment.

Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems

The Board and the Audit Committee have conducted annual review of the effectiveness of the Company's risk management and internal control systems on all major operations of the Company for the year ended 31 December 2024, with assistance from the Company's risk control and audit department and the management. The Board considered all recommendations from the management and the Audit Committee, and will properly follow up to ensure that the effectiveness of risks control and proper internal control systems.

Annual Review

A comprehensive review on the effectiveness of the Company's risk management and internal control system is conducted by the Board and the Audit Committee annually, covering all material controls including financial, operational and compliance monitoring.

The Company has conducted regular review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2024. The Board and the Audit Committee discussed the risk management and internal control systems with management, which includes the adequacy of resources, staff qualifications and experience, training programs and budget to the Company's accounting, internal audit and financial reporting function, to ensure that management has performed its duty to have effective systems. The Board and the Audit Committee also considered the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

Corporate Governance Report

During the period from the Listing Date to 31 December 2024, the Board and the Audit Committee considered that the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and considered that the risk control and audit department and the management are competent to carry out their roles and responsibilities. In accordance with such results, the Board and the Audit Committee are of the view that the Company has adequate workforce to satisfy with accounting and financial reporting duties and to comply with the GEM Listing Rules. The Board and the Audit Committee also discussed the extent and communication of monitoring results annually to enables for the assessment of the Company's control and the effectiveness of risk management.

In the annual review, it was noted that the Company's risk management and internal control system is subject to continuous review and improvement to enable timely responses to any changes of risks facing by the Company. The Board and the Audit Committee have considered major findings on risk management and internal control matters from the management. No material control failure or weaknesses to the extent that have resulted in unforeseen outcomes or contingencies in the future which may have material impacts on the Company's financial performance or conditions have been identified by the Company.

The Board confirms that the Company has complied with provisions of the CG Code regarding risk management and internal control systems for the year ended 31 December 2024. The Company therefore considers that the risk management and internal control systems are effective and adequate.

Internal Audit Function

The Company's internal audit function is performed by its risk control and audit department, which plays an important role in the assessment of the effectiveness of the risk management and internal control systems of the Company and reports regularly. The Board and the Audit Committee considered that the risk control and audit department had been provided with adequate resources and budget and comprised qualified staff with sufficient experience and training programs to perform its internal audit function. For the year ended 31 December 2024, the risk control and audit department implemented the internal audit functions and reports findings to the Board.

Corporate Governance Report

Anti-corruption and Whistle-blowing

We have adopted an anti-corruption policy which sets out the professional and ethical standards for our employees to observe in all business dealings. To achieve this, we would conduct background checks on personnel whom we are prepared to hire or promote to important positions, such as educational background, work history and criminal records to ensure that they will possess the integrity required of their positions. We would also provide anti-fraud and ethics trainings to our new employees and distribute our anticorruption and anti-bribery policies to all our employees through employee handbooks, rules and regulations and quality manuals. Offer and acceptance of bribes are strictly prohibited by our management and employees in any of our business operations.

The Company is committed to achieving and maintaining the highest possible standards of openness, integrity and accountability. To prevent as far as possible violations and ensure compliance and operation by the highest ethical standards, the Company has designated specific whistle-blowing policies to allow employees, business partners and other relevant stakeholders to report illegal or non-compliant activities involving the Company to the Board and the Audit Committee confidentially. The identity of the whistle-blower and the relevant records of the whistle-blowing are treated with the strictest confidential.

Inside Information and Information Disclosure

The Company has established a policy for ensuring that inside information is disclosed to the public in an equal and timely manner in compliance with the relevant laws and regulations. The policy regulates the handling and dissemination of inside information, including designates specific persons to be the main spokesperson of the Company to respond to external enquiries; designates reporting paths to facilitate each party to give an account of potential inside information to the designated responsible personnel; and designates responsible persons and departments to make decision about further actions to be taken and the ways to be disclosed.

Corporate Governance Report

JOINT COMPANY SECRETARIES

Mr. Liu Dongxue has been one of our joint company secretaries since September 2024, who is responsible for overall information disclosure and investor relationship of the Company. Please see the subsection headed "Senior Management" in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for his biography.

In order to uphold good corporate governance and ensure compliance with the GEM Listing Rules and applicable Hong Kong laws, the Company engaged Ms. Cheung Lai Ha, assistant vice president of Entity Solutions of Computershare Hong Kong Investor Services Limited, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom to assist Mr. Liu Dongxue. Ms. Cheung Lai Ha was primarily responsible to perform company secretarial matters. Mr. Liu Dongxue has also been designated as the primary contact person at the Company who would work and communicate with Ms. Cheung Lai Ha on the Company's corporate governance and secretarial and administrative matters.

Ms. Cheung Lai Ha resigned as the joint company secretary on 21 March 2025 due to her departure from Computershare Hong Kong Investor Services Limited and Mr. Ng Tung Ching Raphael was appointed as the joint company secretary of the Company on 21 March 2025, and he and Mr. Liu Dongxue jointly serve as the joint company secretaries.

Mr. Liu Dongxue and Ms. Cheung Lai Ha (the former joint company secretary) have attended not less than 15 hours of relevant professional training as required under Rule 5.15 of the GEM Listing Rules during the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Corporate Governance Report

Convening of EGM and Putting Forward Proposals

Shareholders may put forward proposals for consideration at an EGM according to the Articles. Pursuant to article 54 of the Articles, the Company shall convene an EGM at the request of Shareholders who individually or collectively hold more than 10% of the Company's shares by written requisition(s) for more than 90 consecutive days.

The Board shall give a written reply as to whether it agrees or disagrees to hold an EGM within 10 days upon receipt of the request. Where the Board agrees to hold an EGM, it shall issue a notice of the extraordinary general meeting within five days after the resolution was made. Where the Board does not agree to hold an EGM or fails to give a reply within 10 days upon receipt of the request, it shall be deemed that Shareholders who individually or together hold 10% or more of the shares of the Company shall have the right to submit a proposal to the Supervisory Committee on holding an EGM and such request shall be made to the Supervisory Committee in writing. Where the Supervisory Committee agrees to hold an EGM, it shall issue a notice of EGM within five days after receiving the request. Any changes to the original request in the notice shall be approved by the relevant shareholders. Where the Supervisory Committee fails to give the notice of the EGM within the specified time limit, it shall be deemed that the Supervisory Committee does not convene or preside over the meeting, in which case, shareholders who individually or together hold 10% or more of the shares of the Company for 90 or more consecutive days may convene and preside over the meeting on their own.

Pursuant to article 59 of the Articles, when the Company convenes an EGM, the shareholders who individually or jointly, hold more than 3% of the total number of voting shares of the Company, have the right to put forward a new proposal to the Company and submit it to the convener not less than 10 days before the EGM is held. The convener of the EGM shall, within 2 days after receiving the proposal, issue a supplementary notice of the EGM to inform other shareholders content of such proposal.

Procedures by Which Enquiries May Be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Joint Company Secretaries by mail at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The Joint Company Secretaries are responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders' Communication Policy

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and its investors. Therefore, the Company is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Company by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website (www.xyjiance.cn). The Board maintains regular dialogues with institutional investors and analysts to keep them informed of the Company's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the AGM and answer questions raised during the meeting. At the general meeting, separate resolutions are proposed to resolve each substantially separate issue.

We also adhere to the highest standard of investor relations management and strive to maintain a long-term stable relationship with shareholders and investors. Through multiple physical and virtual channels, we timely disseminate accurate and comprehensive information about the Company to investors with the aim of engaging in an effective and bidirectional communication with them. Meanwhile, we uphold an open and candid attitude to listen to the views from the capital market and relay the feedback to our senior management and Board regularly. The Board and senior management have shown tremendous support for the investor relations program. Together with the investor relations team, they have participated heavily in the communication with the capital market and have frequently attended investor events to maintain an open dialogue with both local and overseas investors.

DIVIDEND POLICY

On 5 August 2024, the Board has approved and adopted the Dividend Policy in compliance with code provision F.1.1 of part 2 of the CG Code, which establishes an appropriate procedure in declaring and recommending dividend payment of the Company.

Summary of the Dividend Policy is set out below:

- (1) If the Company records a profit for the financial year, after taking into account the operating conditions and capital needs of the Company, the Board in principle may declare not less than 20% of the after-tax profit of the year to Shareholders.

Corporate Governance Report

- (2) The declaration of dividends is subject to the discretion of the Board, which shall take into account factors such as the characteristics and development stage of the industry in which the Company operates, the business model and profitability of the Company, and whether there are any major capital expenditure arrangement.
- (3) The Company may only distribute dividends after:
 - (i) recovery of accumulated losses, if any; and
 - (ii) allocations to statutory provident fund of 10% of our after-tax profit.
- (4) When the Company distribute its after-tax profit as dividend, 10% of the after tax profit shall be allocated as statutory provident fund. No allocation is required when the accumulated allocations to statutory provident fund reach 50% of our registered capital. If the statutory provident fund of the Company is insufficient to make up for losses in previous years, the Company's profits for the current year shall be used to make up for the losses before withdrawing the statutory provident fund in accordance with the preceding paragraph.
- (5) In addition to cash, dividends may be distributed in the form of Shares.

The Company will review the Dividend Policy from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

CHANGE OF CONSTITUTIONAL DOCUMENTS

In September 2024, the Board proposed to make amendments to the Articles and to adopt the amended Articles in order to reflect the change of registered address and head office in China to No. 1, Xinyi Avenue South, Dingbao Town, Xinyi City, Maoming City, Guangdong Province, China, which came into effect on 8 October 2024. At the request of the Maoming City Administration for Market Regulation, amendment made to Article 8 of the Articles of Association which was approved by the authorised representatives of the Company in accordance with the shareholders resolutions of the Company dated 13 August 2024. The said amendment became effective on 30 September 2024. Save as disclosed, there was no change in the constitutional documents of the Company during the period from the Listing Date to 31 December 2024. A special resolution of the shareholders was passed at the EGM held on 8 October 2024 to approve the amendments to the Articles and the adoption of the amended Articles with effect from the same date.

Please refer to the EGM circular of the Company dated 17 September 2024 for details of the amendments to the Articles.

The amended Articles have been published on the Company's website (www.xyjiance.cn) and the Stock Exchange's website (www.hkexnews.hk).

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of construction engineering testing and inspection services in the PRC. Since May 2024, the Company has also commenced to provide food and agricultural testing services.

SUBSIDIARIES

The Company has no subsidiary.

During the year, the Company established a branch office in Gaoming District, Foshan City, Guangdong Province on 1 December 2024.

FINANCIAL STATEMENTS

The profit of the Company for the year ended 31 December 2024 and the Company's financial position as at that date are set out in the financial statements on pages 152 to 227 of this report.

DIVIDENDS

The Board has recommended a final dividend for the year ended 31 December 2024 of RMB0.15 (inclusive of applicable taxes) per Share which represented a dividend payout ratio of approximately 31%. The proposed final dividend is subject to the passing of ordinary resolutions by the Shareholders at the forthcoming AGM. In order to determine the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025, both days inclusive, during which period no transfer of Shares in the Company will be effected. The record date for entitlement to the proposed final dividend is Tuesday, 27 May 2025. In order to be eligible to receive the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 21 May 2025. The payment date of the proposed final dividend is expected to be on Tuesday, 15 July 2025.

Report of the Directors

The dividend will be denominated and declared in Renminbi. The holders of Unlisted Shares will be paid in Renminbi and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the benchmark exchange rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the five working days before Friday, 16 May 2025, the date on which the AGM will be convened to approve the final dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholder status, please enquire about the relevant procedures with their agents or trustees. The Company will strictly comply with the law and the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H Shares as at Tuesday, 27 May 2025.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends given to them under the relevant tax agreement with the PRC, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% under the relevant tax agreement with the PRC, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the information required by the notice of the tax agreement to the H share registrar of the Company. The Company will assist with the tax refund of the extra amount withheld after obtaining the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% under the tax agreement with the PRC, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have had an agreed tax rate of 20% under the relevant tax agreement with the PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Report of the Directors

DISTRIBUTABLE RESERVES AND RESERVES OF THE COMPANY

As at 31 December 2024, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB35.00 million. Details of the reserves of the Company as at 31 December 2024 are set out in note 24 to the financial statements.

SHARE CAPITAL

As at 31 December 2024, the total share capital of the Company was RMB33,929,000, divided into 10,179,000 H Shares and 23,750,000 Unlisted Shares, with a nominal value of RMB1.00 each. Details of movement in the share capital of the Company for the year ended 31 December 2024 are set out in note 23 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the period from the Listing Date to 31 December 2024 were:

Executive Directors

Lai Feng (*Chairman*)
Huang Fei
Mai Jiayu
Zhang Xihua

Non-executive Directors

Zou Chan
Chen Guangfu

Independent Non-executive Directors

Liu Hongge
Deng Dian
Luo Qiling

Supervisors

Wu Weiyuan
Chen Shende
Chen Haibin
Zhou Kelin
Zhang Zhihang

Report of the Directors

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the GEM Listing Rules.

No Director or Supervisor will be proposed for re-election at the forthcoming AGM.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

None of the Directors or Supervisor has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the Directors entered into a service contract with the Company for a fixed term ending on 25 October 2026, unless terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein, and provisions on removal and re-election as set forth in the Articles.

Each of the Supervisors entered into a service contract with the Company for a fixed term ending on 25 October 2026, and is subject to termination provisions therein, and provisions on removal and re-election as set forth in the Articles.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out on pages 40 to 50 of this report.

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no change to the Directors', Supervisors' and senior management's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

Report of the Directors

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There was no transaction, arrangement or contract of significance to which the Company was a party, and in which a Director or Supervisor or an entity connected with a Director or Supervisor had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2024.

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

As at 31 December 2024, none of the Directors, the Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors, the Supervisors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules.

At no time was the Company, or any of its holding companies a party to any arrangements to enable the Directors, the Supervisors and the chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Report of the Directors

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

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

Name of Shareholder	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of shareholding in Unlisted Shares/ H Shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽¹⁾
Xinyi City CEQS Center ⁽²⁾	Beneficial owner	19,000,000 Unlisted Shares (L)	80%	56.00%
Xinyi Xinhui ⁽³⁾	Beneficial owner	4,750,000 Unlisted Shares (L)	20%	14.00%
Guangdong Asset Management Co., Ltd* (粵海資產管理有限公司) ⁽⁴⁾	Beneficial owner	1,072,000 H Shares (L)	10.53%	3.16%
Lin Jiangjun 林姜君	Beneficial owner	1,943,000 H Shares (L)	19.09%	5.73%
Lin Sheng Yu 林聖祐	Beneficial owner	1,109,000 H Shares (L)	10.89%	3.27%
Chen Menghua 陳孟華	Beneficial owner	1,049,500 H Shares (L)	10.31%	3.09%
Lu Sili 盧思麗	Beneficial owner	1,038,500 H Shares (L)	10.20%	3.06%
Liang Yishuang 梁藝爽	Beneficial owner	999,500 H Shares (L)	9.82%	2.95%
Z K 張坤	Beneficial owner	530,000 H Shares (L)	5.21%	1.56%
Zhang Yunling 張雲凌	Beneficial owner	527,500 H Shares (L)	5.18%	1.55%

Report of the Directors

Notes:

- (1) It was based on 33,929,000 issued Shares of the Company (comprising 23,750,000 Unlisted Shares and 10,179,000 H Shares) as at 31 December 2024.
- (2) Xinyi City CEQS Center is a public institution under the Xinyi City Bureau of Housing and Urban-Rural Development (信宜市住房和城乡建设局).
- (3) Xinyi Xinhui is a limited liability company incorporated in the PRC on 24 August 2022. Xinyi Xinhui is wholly-owned by Xinyi City Bureau of Finance (信宜市財政局), a department of the Xinyi County People's Government (信宜市人民政府).
- (4) To the best knowledge of the Company, Guangdong Asset Management Co., Ltd.* (粵海資產管理有限公司) is wholly-owned by Guangdong Trust Co., Ltd.* (粵海信託有限公司), which is in turn wholly-owned by Guangdong Holding Group Co., Ltd.* (粵海控股集團有限公司). Guangdong Holding Group Co., Ltd. is in turn wholly-owned by Guangdong Yuehai Holding Group Co., Ltd.* (廣東粵海控股集團有限公司).

* For identification purpose only

Save as disclosed above, as at 31 December 2024, the Directors, Supervisors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE SCHEME

As at the date of this report, the Company had not adopted any share scheme under Rules 23.07 and 23.09 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had not purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2024 and up to the date of this report. As at 31 December 2024, no treasury shares were held by the Company.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

The Company had related party transactions as further detailed in note 28 to the financial statements, which included the continuing connected transaction described below and other related party transactions which were discontinued before the listing of the shares of the Company on GEM of the Stock Exchange.

As disclosed in the paragraph headed "Continuing Connected Transactions" in the Prospectus, on 13 August 2024, the Company entered into the service framework agreement with Xinyi Xinhui, a substantial shareholder of the Company, in relation to the provision of construction engineering testing and inspection services by the Company to Xinyi Xinhui and its subsidiaries for a term of three years commencing from 6 September 2024. The annual caps for the three years ended 31 December 2024, 2025 and 2026 are RMB3 million, RMB3 million and RMB3 million, respectively. During the year ended 31 December 2024, the transaction amount related to the service framework agreement amounted to RMB2.42 million.

The Directors (including the independent non-executive Directors of the Company) have reviewed the above continuing connected transaction and confirmed that the transaction has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement entered into on terms which are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have provided a letter and confirmed that the above exempted continuing connected transaction (i) has been approved by the Board; and (ii) has been entered into in accordance with the terms of the relevant agreement governing the transaction.

CONTRACTS WITH CONTROLLING SHAREHOLDER

No contract of significance has been entered into between the Company and the controlling shareholder during the period from the Listing Date to 31 December 2024.

NON-COMPETITION UNDERTAKINGS

The controlling shareholder of the Company, Xinyi City CEQS Center, who is an obligor under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 August 2024), has confirmed to the Company of its compliance with the non-compete undertakings provided to the Company thereunder. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholder of the Company.

Report of the Directors

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDER'S INTEREST IN COMPETING BUSINESS

None of the Directors, Supervisors or controlling Shareholder or their respective associates (as defined in the GEM Listing Rules) is or was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business at any time during the year ended 31 December 2024 and up to and including the date of this report.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and the Company's senior management received their remuneration in the form of salaries, social security, housing benefits and other employee benefits, and discretionary bonuses. The compensation of Directors, Supervisors and the Company's senior management is determined based on each Director, Supervisor and senior management's responsibilities, qualification, position and seniority. Details of the emoluments of the Directors, the Supervisors and the Company's senior management and emoluments of the five highest paid individuals in the Company are set out in notes 8 and 9 to the financial statements of this report.

During the year ended 31 December 2024, no emoluments were paid by the Company to any Director, Supervisor or senior management as an inducement to join or upon joining the Company or as compensation for loss of office. None of the Directors, Supervisors or senior management had waived any emoluments during the year ended 31 December 2024.

Save as disclosed above, no other payments had been made or are payable, during the year ended 31 December 2024, by our Company to or on behalf of any of the Directors, the Supervisors or the Company's senior management.

PENSION SCHEME

Employees of the Company are required to contribute a certain percentage of their salaries to a pension plan to fund the benefits. The Company has the obligation with respect to the pension plan to make specified contributions. During the year ended 31 December 2024, the Company did not use forfeited contributions to reduce the current level of contributions.

Report of the Directors

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing Shareholders on their shareholding proportion.

INDEMNITY OF DIRECTORS

At no time during the year ended 31 December 2024 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and Supervisors (whether made by the Company or other parties) or any of those of an associated company (if made by the Company).

The Company took out directors' liability insurance for Directors and Supervisors during the year. The relevant insurance covers the liability of Directors and Supervisors and the related costs incurred by the Directors and Supervisors in respect of potential legal proceedings against them arising out of corporate activities.

TAX RELIEF AND EXEMPTION FOR H SHAREHOLDER

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

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Aggregate sales attributable to the Company's largest and five largest customers were 23.2% (2023: 10.8%) and 47.1% (2023: 38.3%) of the Company's total sales, respectively.

Aggregate purchases attributable to the Company's largest and five largest suppliers, including subcontractors, were 62.5% (2023: 31.8%) and 87.2% (2023: 61.9%) of the Company's total purchases, respectively.

At no time during the year ended 31 December 2024, did a Director, his/her close associate(s) or a Shareholder which to the knowledge of the Director owned more than 5% of the Company's share capital had an interest in any of the Company's five largest customers, suppliers and subcontractors.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2024, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

AUDITOR

PricewaterhouseCoopers ("PwC") resigned as auditor of the Company as PwC was informed by the Board that it had decided to propose the appointment of another auditor due to the fact that PwC could not reach a consensus with the Company on the proposed auditor's remuneration for the financial year ending 31 December 2024. Upon recommendation of the Audit Committee, the Board resolved to propose the appointment of Ernst & Young ("EY") as the auditor of the Company for the financial year 2024. An ordinary resolution of the shareholders was passed at the EGM held on 24 December 2024 to approve the appointment of EY as the auditor of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the issued Shares as required under the GEM Listing Rules for the year ended 31 December 2024.

BANK LOANS AND OTHER BORROWINGS

The Company did not have any bank loans or other borrowings as at 31 December 2024.

DONATION

During the year ended 31 December 2024, no charitable and other donation was made by the Company (2023: Nil).

FOUR-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last four financial years is set out on page 228 of this report.

Report of the Directors

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the entitlement of Shareholders to attend the 2024 AGM, the register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025 (both dates inclusive), during which period no transfer of Shares will be effected. Holders of H Shares whose names appear on the registers of members of the Company Friday, 16 May 2025 shall be entitled to attend and vote at the 2024 AGM. In order to be qualified to attend and vote at the 2024 AGM, the share transfer documents and the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Monday, 12 May 2025.

In order to determine the entitlement of Shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025 (both days inclusive), during which no transfer of shares will be registered. The record date will be Tuesday, 27 May 2025. The share transfer documents and the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 21 May 2025.

On behalf of the Board

Lai Feng

Chairman

Hong Kong, 21 March 2025

Report of the Supervisory Committee

In 2024, members of the Supervisory Committee performed their supervisory duties diligently in accordance with the Company Law, the Securities Law, the GEM Listing Rules and other domestic and overseas regulatory regulations and the Articles. During the year, all Supervisors attended or observed the general meetings, Board meetings, meetings of the Supervisory Committee and other meetings that need to be attended in accordance with laws and regulations. The attendance rate complied with the requirements of their duties. All Supervisors carried out their work in a faithful, proactive and prudent manner to ensure that the Supervisory Committee performed its duties conferred by all Shareholders.

I. ATTENDANCE OF MEETINGS OF THE SUPERVISORY COMMITTEE IN 2024

During the year ended 31 December 2024, the Supervisory Committee held one meeting in total, and all resolutions were unanimously approved by all Supervisors. Details of the meeting are as follows:

- (1) The 2nd meeting of the first session of the Supervisory Committee was held on 31 December 2024, at which the financial statements of the Company from July to November 2024 were considered;
- (2) During the year, the Supervisors attended four general meetings and 10 Board meetings. No objection was raised to the reports and proposals submitted by the Board to the general meeting for consideration after review.

II. THE SUPERVISORY COMMITTEE'S VERIFICATION OPINIONS ON THE COMPANY'S RELEVANT MATTERS

(1) Legal operation of the Company

During the year ended 31 December 2024, the Company carried out its business activities in accordance with the law, while its decision-making procedures complied with the relevant provisions of laws, regulations and the Articles. The Company has a sound internal control system and a complete compliance system. The Company has conscientiously performed its operation and achieved satisfactory results by closely focusing on the relevant requirements of the resolutions of the Board and the general meeting, as well as the work objectives and tasks formulated at the beginning of the year. The Supervisory Committee is of the view that the Company's business activities are conducted in a standardised and orderly manner. Major decisions are made with reasonableness, and procedures adhere to legal and regulatory requirements. Operations are carried out in a standardised manner. There were no violations of laws and regulations.

Report of the Supervisory Committee

(2) Checking the Company's financial position and independent opinion on the annual report

The Supervisory Committee has thoroughly reviewed the financial report for the year, which was audited by an auditing firm. The audit report issued by the firm contains a standard unqualified opinion. The financial reports truly, accurately and completely reflect the Company's financial condition and operating results. The preparation and review procedures of the financial report complied with relevant laws, regulations, and regulatory requirements. The Company has prepared the "2024 Annual Report" in accordance with the provisions of the law, regulations, and the Company's Articles. The content of the report is true, accurate, and complete, without any false or misleading information or significant deficiencies.

(3) Internal Control of the Company

The Supervisory Committee is of the view that the internal control system of the Company is complete and the content and form of the evaluation report comply with the requirements of relevant laws, regulations and regulatory documents. In accordance with the requirements of the corporate internal control standard system and relevant regulations, the Company maintained effective internal control in all material aspects and met the Company's internal control objectives. There were no major defects in respect of internal control.

(4) Acquisitions and disposals of major assets and external investments

In 2024, the Supervisory Committee conducted supervision and verification in relation to the material disposals and acquisitions of assets and external investment of the Company, if any, during the year. No instances of insider trading related to major asset acquisitions, disposals, investments, or other matters were identified. Furthermore, no cases were found that would be detrimental to the interests of the Company and shareholders or result in the loss of the Company's assets.

(5) Supervision and verification on connected transactions

The Supervisory Committee conducted supervision and verification in relation to the connected transactions of the Company during the year. The transactions between the Company and connected parties during the year were conducted in strict accordance with relevant regulations, which met the needs of the Company's business development and operation. The counterparties, transaction contents, transaction amounts, pricing principles and settlement methods of the daily connected transactions

Report of the Supervisory Committee

were all in compliance with relevant laws, regulations, and relevant provisions. No connected transactions were identified to be unfair and detrimental to the interests of the Company and its shareholders. No material guarantees, litigations and external borrowings were found during the year.

(6) Evaluation on the behavior and performance of the Board and senior management

The Supervisory Committee is of the view that the Directors and senior management of the Company are able to operate business in accordance with the Company Law, the Articles and the requirements of other applicable laws and regulations. The Directors and senior management of the Company have earnestly performed the resolutions and policies made by shareholders and the Board at the annual general meetings, and faithfully fulfilled their duty of good faith. Upon supervision and verification, the Supervisory Committee believes that the Directors and senior management of the Company have diligently fulfilled their duties by making decisions through a democratic process and managing operations in a scientific manner with well-defined objectives. There were no instances of non-compliance with the Company Law, the Articles, or other relevant laws and regulations. Furthermore, no actions were identified that would be detrimental to the rights or interests of the Company or its shareholders.

By order of the Supervisory Committee

Wu Weiyuan

Chairman

Hong Kong, 21 March 2025

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report published by the Company, which fully reflects the superior performance and consistent investment in environmental protection, social responsibility, and company governance during the year, aiming to intensify the engagement and understanding with stakeholders, build a deeper trust relationship and jointly promote the long-term goals of sustainable development with partners from all walks of life.

Preparation basis and principles

International standards and basis	National standards and basis
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- | | |
|---|---|
| <ul style="list-style-type: none">The GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB) | <ul style="list-style-type: none">The Appendix C2 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). |
|---|---|

Principles of reporting

The preparation of this report follows four reporting principles set out in the Hong Kong Stock Exchange’s ESG Reporting Guide.

Principle	Response
Materiality	Syntrust GK commenced its assessment of material topics and invited stakeholders to participate in the assessment. The Board of Directors approves and acknowledges the results of annual materiality analysis and discloses the effects of the Company on material topics and the Company’s performance in this report.
Quantitative	The data in this report have been reviewed, and measurement standards and methodologies referred to by key data are also set out in this report.

Environmental, Social and Governance Report

Principle	Response
Balance	The Company's ESG performance is disclosed accurately, authentically, and completely.
Consistency	This report is the first ESG report issued by the Company. In the future, we will try our best to ensure consistent disclosure principles and explain specific changes and reasons for changes in the report in case of any changes in statistical methods and other relevant factors.

Scope of report

The reporting period is from 1 January 2024 to 31 December 2024 (the "reporting period" or the "current year"), with the period of some content moderately extending forward and backward.

Except for specific instructions on individual data, policy papers, statements, data, etc., the report covers the actual business scope of Syntrust GK. Unless otherwise specified, currency amounts involved in this report are denominated in RMB. This report focuses on the disclosure of ESG information, some of which shall be read in conjunction with the 2024 Annual Report of the Company.

Data sources

The data and information used in this report are mainly derived from public data, internal statistical statements, third-party surveys, administrative instruments, reports, and other related documents.

Approval of report

This report was reviewed and confirmed for publication by the Board of Directors on 21 March 2025.

Access to this report

This report is available on the Hong Kong Stock Exchange website (hkexnews.hk) and the Company's official website (<https://ir.xyjiance.cn>).

Environmental, Social and Governance Report

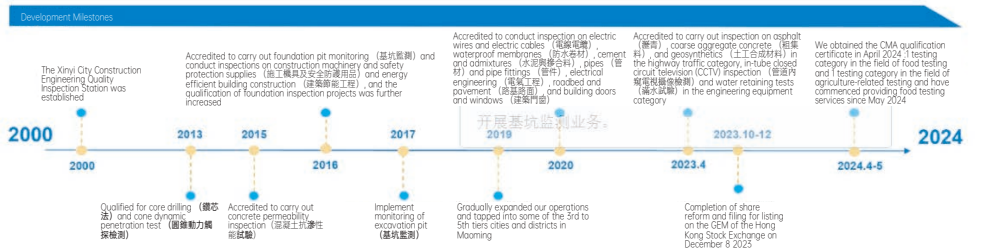
Opinions and feedback

If you have any questions or feedback regarding the Company's ESG work or the report and its contents, please contact us at 8816106@xyjiance.cn.

2 ABOUT US

2.1 Company Profile

Guangdong Syntrust GK Testing and Certification Tech Service Center Co., Ltd. ("**Syntrust GK**" or the "**Company**") was established in December 1984, which was initially known as "Xinyi City Construction Engineering Quality Inspection Station (信宜市建設工程質量檢測站)", and officially changed to the current name in October 2023. As a joint-stock company under the Xinyi City Bureau of Housing and Urban-Rural Development, the Company owns independent legal personality and carries out independent financial accounting. For a long time, we have been adhering to the work quality policy of "Science, Credibility, Accuracy and Excellence" and won wide market recognition relying on our strong technical strength. Through consistent innovation and business expansion, the Company has provided strong support for the high-quality development of the construction industry and built a good brand image within the industry.



Development Milestones

The Company has focused on the fields of testing, certification and technical services and has been committed to providing customers with high-quality professional solutions. Our main business scope covers construction engineering testing, product quality certification, and technical services, encompassing construction materials, construction quality, environmental monitoring, and support for construction products research and development. Leveraging professional technical teams and advanced equipment, the Company has always maintained a leading position in the industry and has obtained several authoritative certifications and honorary awards.


Environmental, Social and Governance Report

2.2 Annual Honors

Syntrust GK is committed to continuously improving service quality, developing technological competitiveness, and transforming business models to create value for customers and society. During the current year, we obtained the honors and recognition from the government, industry institutions, media platforms and the public, including (partially shown):

Award Organization	Award Name	Award Picture
Guangdong Construction Engineering Quality and Safety Inspection and Appraisal Association	The Credit Rating of Construction Engineering Quality Inspection Agency — AA Level	
Guangdong Provincial Academy of Building Research Group Co., Ltd.	2024 Engineering Quality Inspection Skills Competition — The Best Grace Award	
Guangdong Guangye Inspection and Testing Group Co., Ltd.	2024 Guangdong Province Cement Inspection Comparative Physical Performance Inspection — Qualified Unit	
Guangdong Quality Supervision Cement Inspection Station (Guangzhou)		

Environmental, Social and Governance Report

Award Organization	Award Name	Award Picture
Guangdong Provincial Academy of Building Research Group Co., Ltd.	2024 Engineering Quality Inspection Skills Competition: — The Second Prize	
Xinyi City Bureau of Housing and Urban-Rural Development, Maoming City, Guangdong Province	The Knowledge Contest for Learning and Educating Party Discipline in the Housing and Construction System — The Merit Award	

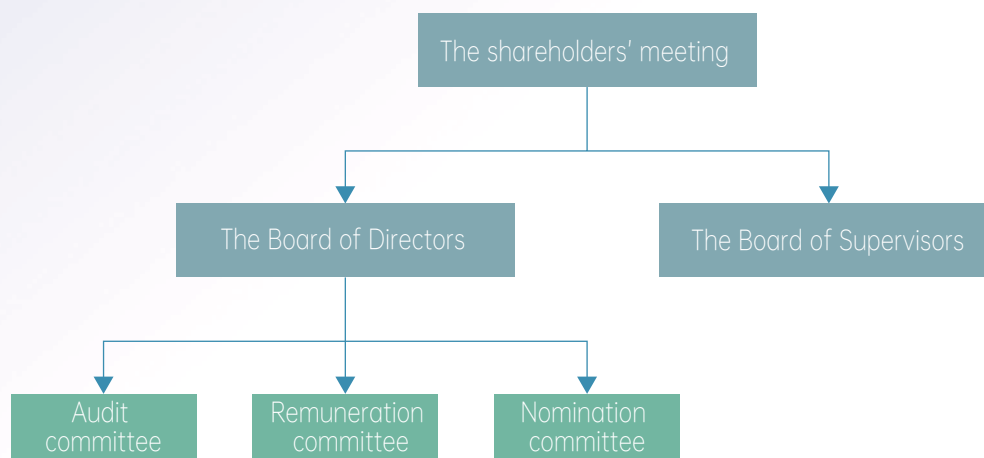
3 CORPORATE GOVERNANCE

3.1 Compliance Management

3.1.1 Governance Structure

Good company governance is the core guarantee for the standardized operation of testing and certification service institutions. Considering compliant operation as the foundation, Syntrust GK strictly abides by the requirements of laws and regulations such as the Company Law of the PRC (《中華人民共和國公司法》), the Administrative Measures for the Qualification Accreditation of Inspection and Testing Agencies (《檢驗檢測機構資質認定管理辦法》), and the Regulations of the People's Republic of China on Certification and Accreditation (《中華人民共和國認證認可條例》). Combining with the special attributes of the testing and certification service industry and the Company's strategic development plan, we continuously improve the corporate governance system. We have built a governance structure of "three meetings and one management" with the shareholders' meeting, the Board of Directors, the Supervisory Committee, and senior management as the cores to solidify the foundation of the Company's long development.

Environmental, Social and Governance Report



Corporate Governance Structure

3.1.2 Independence and Diversity of the Board of Directors

We believe that independence and diversity of the Board of Directors are important for optimizing corporate governance and improving its effectiveness. We have formulated and implemented the terms of reference of the Nomination Committee of the Board to ensure that the selection process and elements of directors are fully guaranteed. The Board of Directors is committed to ensuring the appointment of at least three independent non-executive directors, with at least one-third of the members being independent non-executive directors (or a higher minimum number as prescribed by the Listing Rules from time to time). We select independent directors without direct or indirect ties to the Company, its major shareholders, or de facto controllers during the electing process to fully safeguard the legitimate rights of small and mid-sized shareholders.

To ensure the diversity of directors, we weigh various aspects in appointing and reappointing directors: gender, age, cultural and educational backgrounds, professional experience, skills, and legitimate interests of the Company's major shareholders, which enable the Company to better tackle complex and dynamic economic and market environments, and enhance decision-making quality and effectiveness.

Environmental, Social and Governance Report

	Audit committee	Remuneration committee	Nomination committee
Executive Directors	—	—	1
Non-executive Directors	—	—	—
Independent non-executive Directors	3	3	2
The percentage of non-executive/ independent non-executive Directors accounting for the total number of board committee members	<u>100%</u>	<u>100%</u>	<u>66.7%</u>

3.2 Information Transparency

Syntrust GK strictly complies with relevant laws and regulations and discloses relevant information in a timely manner on Stock Exchange's HKEXnews and the Company's official website, which ensure the trueness, accuracy, completeness, timeliness, and fairness of information disclosure and strictly guarantee equal access to information for all shareholders. In 2024, Syntrust GK proactively disclosed information on environment, social responsibility, corporate governance, and operation and continuously improved the transparency and effectiveness of information disclosure.

Environmental, Social and Governance Report

3.3 Risk Management

The Company strictly follows the relevant requirements of laws and regulations and builds an established risk management structure. With internal audit as the core means, we intensify internal control and risk prevention and proactively regulate our operating activities to ensure compliant and legal operation. For the testing and certification business, the Company has established 18 internal control systems covering quality monitoring, technical assessment and risk prevention and control and continuously optimizes the management process through the annual review of authoritative qualifications such as CNAS and CMA, which ensures the authenticity of testing data and public credibility of certification services.

Management Structure

Through setting a dedicated risk control and internal audit management department, we clarify the responsibilities of three-tier management structure and conduct comprehensive audit supervision for all employees.

Senior Management	Each Business Department	Each Functional Department
<ul style="list-style-type: none">• The internal audit conducts supervision for the Company's senior management to ensure that their decisions and acts in operating activities comply with the Company's rules and systems, laws and regulations, and operating policies and goals.	<ul style="list-style-type: none">• The audit scope covers all business departments of the Company, including but not limited to the Materials Inspection Department, Monitoring and Structural Inspection Department, Road, Bridge & Water Resources Inspection Department, Food and Agricultural Products Inspection Department, Foundation Testing Department, inspecting their standardization, efficiency, and compliance of operating activities, which ensures that all departments' operations meet the overall strategy and internal control requirements of the Company.	<ul style="list-style-type: none">• Examining the workflow of functional departments, the implementation of internal control systems, and the absence of fraud.

Environmental, Social and Governance Report

➤ *Specialized audit*

- **Financial activities:** Standardization of economic activities related to financial revenues and expenditures; including but not limited to the implementation of financial budgets and financial accounts, asset management, the authenticity, legitimacy and efficiency of financial information such as operating results, financial revenues and expenditures, and the compliance and efficiency of accounting work and financial management work.
- **Economic business activities:** The signing of material economic contracts and agreements such as procurement, the application effectiveness of all economic work procedures and methods, the effectiveness of human resources management, and the completion of annual plans and year-end assessment of the Company.
- **Departure audit:** Auditing the fulfillment of duties and handover of work during their tenure of personnel in positions of department managers and above and key business positions to ensure their economic responsibilities and handover work comply with standardization.

➤ *Procedure Management*

- Focusing on the justice, transparency and closed-loop management of procedures and enabling the audit department with independence and necessary rights and responsibilities.
- Providing channels of expressing opinions and complaints for auditees to create a compliant culture of interaction and improvement.

3.4 Business Ethics Management

We insist on integrity in operation and require all employees to strictly comply with laws and regulations, industry norms, and occupational ethics in their professional behaviors. Therefore, we have established a sound internal control system, "Anti-fraud and Complaints Reporting Management System (《反舞弊及舉報投訴管理制度》)", to prevent fraudulent behaviors and safeguard the legitimate interests of the Company and its shareholders.

Environmental, Social and Governance Report

The Company has established a multi-level supervision and management system to ensure the effective implementation of anti-fraud work. As a dedicated institution, the risk control and internal audit management department is responsible for cross-departmental coordination, risk assessment, internal auditing and whistle-blowing, while providing support for the establishment and improvement of the Company's anti-fraud mechanism. Through implementing comprehensive preventive measures such as background investigation, integrity training, and internal control mechanisms, the Company effectively reduces the fraud risk and safeguards the safety of assets and information.

Discovery and recognition

- Clarifying the concepts and forms of fraud, including bribery, asset misappropriation, information leakage and financial fraud for rapid recognition and response to potential risks.
- We will provide appropriate rewards to whistleblowers who report true and effective fraudulent behaviors to motivate proactive reporting.

Handling process

- Distinguishing reports regarding ordinary, middle, and senior management based on the difference in employees' rank.
- For the whistle-blowing towards employees at different levels, the handling period is within 10 days for ordinary and middle management, and the handling period is within 7 days for senior management to ensure the feedback right of real-name whistleblowers.
- According to the investigation results, the disciplinary punishment is taken against the fraudulent subjects and those involved in violation of the law are referred to judicial institutions for handling.
- After the fraud incidents, we conduct internal control assessment and put forward improvement advice to prevent the recurrence of similar incidents.

Environmental, Social and Governance Report

Whistleblower protection

- Setting up reporting channels such as mail, email, and telephone and motivating relevant personnel such as employees, suppliers, and contractors to report any potential violations and fraudulent behaviors through public reporting channels.
- We encourage real-name reporting and accept anonymous reporting, strictly protect the privacy of whistleblowers and investigators, and strictly prohibit retaliation, threats and intimidation of whistleblowers, witnesses, and investigators.

Training and dissemination

- Anti-corruption training: We regularly conduct anti-corruption training for all employees, including senior management, to deepen the concept of integrity.

Highlights

During the reporting period, there are six directors and nine employees who have participated in anti-corruption trainings, with a total training of over 15 hours. The number of corruption litigation cases filed or concluded by us is 0.

The Company has established a multi-channel reporting mechanism to encourage employees and external related parties to actively participate in anti-fraud work and jointly create a clean workplace ecology with full participation and joint supervision:

Complaint and Reporting Hotline: 0668-8816106
Email: xyjc0668@163.com
Company Official Website: <https://www.xyjiance.cn/index.asp>
Correspondence Address: No.1 Xinyi Main Road South, Dingbao Town, Xinyi City, Maoming City, Guangdong Province
Reporting Mailbox Location: No.1 Xinyi Main Road South, Dingbao Town, Xinyi City, Maoming City, Guangdong Province

Environmental, Social and Governance Report

3.5 Statement of the Board of Directors

The Company attaches great importance to the comprehensive management and fulfillment of environmental, social and governance (ESG) responsibilities, and the Board is fully responsible for the planning and supervision of ESG-related issues. In order to ensure the effectiveness and professionalism of ESG governance, we have established a sound ESG governance structure, which consists of the Board level and ESG working groups to guarantee the effective management of ESG risks, intensify the internal control system and lay a solid foundation for the sustainable development of the Company.

The Company has adopted systematic methods to identify, assess and manage ESG topics. Through materiality assessment, combined with industry guidelines and business characteristics of the Company, we have identified the most influential ESG key topics, set specific key performance indicators, and regularly assessed the gap between actual performance and goals; we conducted reviews of ESG goals annually to ensure that they are in line with the strategies of the Company and social needs. This dynamic management model enables us to respond to changes in internal and external environments in a timely manner.

Over the past year, the Company achieved outstanding developments in the ESG filed. We strictly followed the requirements of ESG reporting guidelines and completed the preparation and disclosure of the ESG report in collaboration with ESG working group to ensure the information transparency and accuracy; in the meantime, ESG working group specialized in assessing material risks such as climate changes and continuously optimized the target setting to provide professional support to the Board.

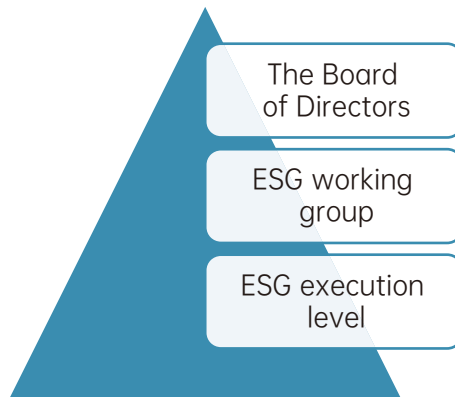
During the reporting period, the Company actively implemented ESG governance and risk management, which provided important guarantees for the Company's long-term development and laid a solid foundation for achieving the goals of sustainable development. In the future, we will continue to uphold high standards and continuously optimize the ESG management system to continuously create value for stakeholders, employees, and partners from all walks of life.

Environmental, Social and Governance Report

4 ESG GOVERNANCE

4.1 ESG Governance Structure

The Group has established a clear ESG governance structure aimed to effectively identify, assess, and manage environmental, social and governance (ESG)-related risks. The structure consists of two core components, namely the Board and ESG working group, which jointly promote the Group to realize ESG goals.



ESG Governance Structure

The Board of Directors

It is fully responsible for ESG risk assessment, target setting, performance review, report approval, and seeking external professional consultation when necessary.

- Risk Management and Supervision: Assessing and determining ESG-related risks, supervising the management's design, implementation, and monitoring of effective ESG risk management and internal control systems.
- Organization and Leadership: Appointing ESG working group members, reviewing and approving their reports, and regularly reviewing their performance and composition to ensure that they meet the Group's requirements.

Environmental, Social and Governance Report

- **Strategic Planning and Target Setting:** Formulating, adopting, and evaluating the Group's ESG goals, strategies, and policies, and supervising their implementation effects. Adjusting goals, strategies and policies flexibly based on actual situations.
- **Performance Evaluation and Review:** Setting key KPIs and regularly reviewing ESG implementation results and evaluating the effectiveness of performance compared with established goals. Conducting reviews at least annually on the ESG goals to ensure their suitability.
- **Report Approval and Transparency:** Reviewing and approving the contents before issuing the ESG report to ensure its authenticity, fairness, and compliance with ESG reporting guidelines. The Board will engage external professional consultants to provide assistance and suggestions if necessary.

ESG Working Group

The ESG working group consists of one deputy general manager, one general office staff and one legal staff, who assist the Board to implement ESG policies, including risk evaluation, data collection, periodic reporting, management review, and internal and external connections.

- **Risk Evaluation and Materiality assessment:** Participating in corporate risk evaluation, conducting materiality assessment, and assessing the risks of climate change and their potential influences on our business.
- **Data Collection and Monitoring:** Collecting ESG data from various departments and continuously monitoring the implementation of ESG risk mitigation measures.
- **Periodic Reporting and Improvement Suggestions:** Submitting a semi-annual effectiveness report of the ESG system to the Board, and putting forward suggestions for system improvement.
- **Management Review and Follow-up:** Planning management review meetings, submitting management review reports of system operation or third-party environmental review reports, and following up on the implementation of management review resolutions.

Environmental, Social and Governance Report

- **Renewal of Laws and Regulations and Report Preparation:** Providing the Board with the latest ESG information on laws and regulations and preparing an ESG report according to the ESG Reporting Guide with the assistance of external experts when necessary.
- **Internal and External Connections:** Being responsible for the internal and external connections of the quality, environmental, and occupational health and safety management systems.

4.2 Stakeholder Engagement

The ESG working group identifies the areas that stakeholders may be concerned about, understands stakeholders through various communication channels, and reports the results of stakeholder engagement to the Board.

Stakeholders	Areas of Concern	Communication and Response
The Stock Exchange	Compliance with the Listing Rules and timely and accurate announcement release	Training and seminars, meetings, announcements, and company website
Government and Regulatory Authorities	Compliance with laws and regulations, social welfare, and prevention of tax evasion	Interaction and inspections, government examination, tax returns, and other information
Suppliers	Payment schedules, stable demand, compliant operation and product and service quality	On-site inspections and meetings

Environmental, Social and Governance Report

Stakeholders	Areas of Concern	Communication and Response
Shareholders/ Investors	Corporate governance system, business strategies and performance, and investment returns	The shareholders' meeting, financial reports and announcements and the Company's website
Media	Corporate governance, environmental protection, product quality, and human rights	Publishing newsletters on company website
Customers	Service quality, fair and reasonable price, service value, labor protection and work safety	On-site inspections and after-sales service
Employees	Rights and benefits, employee remuneration, training and development, working hours, and working environment	Conducting team activities, training, interviews, releasing quality manuals and internal memorandums
Community/Welfare Organizations	Community environment, employment, community development, and social welfare services	Organizing community activities, employee volunteer activities, and community welfare services and donations

Based on stakeholders' feedback, the ESG working group conducts a materiality assessment to identify ESG scope and KPIs that are critical to the Group's business and reports to the Board.

Environmental, Social and Governance Report

4.3 Materiality Assessment

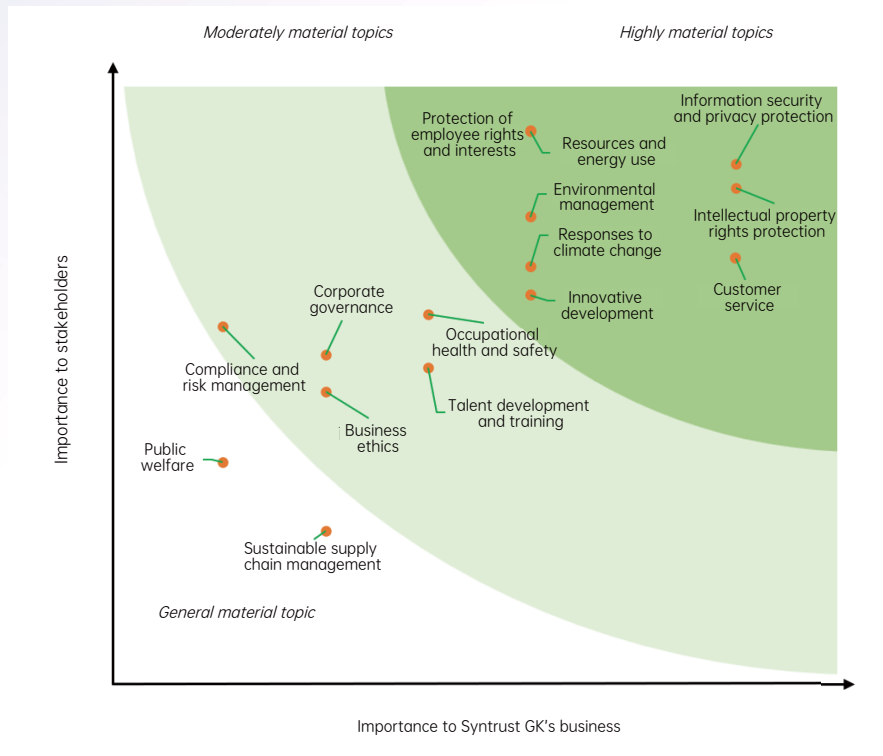
Materiality assessment

In order to identify and assess the priority of various ESG topics for Syntrust GK, we invited a third-party professional consultant to conduct the materiality assessment. The processes of materiality assessment are as follows:

Create a library of material topics	Combining five aspects of national policies, corporate development, disclosure standards, capital market and peer benchmarking, and referring to the original list of material topics, we identify and sort out the material topics for the current year in multiple dimensions to create a library of material topics.
Launch surveys among stakeholders	Based on the above analysis dimensions, we identify a total of 15 topics, including 3 environmental topics, 9 social topics and 3 governance topics, which have substantial effects on Syntrust GK. Then we invite internal and external stakeholders of the Company through online questionnaires to evaluate the materiality of various sustainable development topics from their own perspectives, and comment on the current sustainable development strategy, relevant performance, reporting methods and disclosure quality of the Company. In 2024, the surveys covered 39 stakeholders, including Syntrust GK's directors, senior management, executives, employees, customers, investors and shareholders, suppliers, media, community/public welfare organizations and government agencies.
Analyze and review material topics	We apply statistical analysis to topic scores, assign a weight to each topic according to risk levels, and form the materiality matrix in two dimensions (" importance to stakeholders " and " importance to enterprise development "), and internal management and external experts review the screening and analysis results.
Respond to and disclose material topics	We develop and implement action plans against material topics and focus attention on responding and disclosing the topics in the report accordingly.

Environmental, Social and Governance Report

Material topics matrix



Syntrust GK's ESG Material Topics Matrix of 2024

5 ENVIRONMENTAL PROTECTION

The Company complies with laws and regulations, including but not limited to environmental protection laws and requirements related to air, water, land, and noise pollution. We strictly abide by relevant regulations such as the Environmental Protection Law and have formulated relevant policies and systems, mainly including the Environmental Management Manual (《環境管理手冊》), the Identification and Assessment Procedures of Environmental Factors (《環境因素的識別與評價程序》), which are involved in environmental topics such as emissions management, resources utilization, ecological environmental protection, response to climate changes and waste management. The ESG working group of the Company is responsible for the assessment of environmental risks and continues to follow up on the implementation of environmental protection measures.

Due to the Company's business nature, we don't have material impacts on air, water, or land resources during our operations.

Environmental, Social and Governance Report

5.1 Energy Emission Reduction

The Company is well aware that energy management is an important means to realize energy saving and emission reduction and improve the efficiency of energy utilization, which is directly related to the corporate's sustainable development. We strictly adhere to the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and national and local laws and regulations on energy and emission and have formulated detailed energy management systems, regularly conduct statistics on energy consumption, which aim to meet the national requirements of energy saving and emission reduction while responding to the green requirements of the market to realize an organic balance between economic and environmental benefits.

In order to steadily promote corporate energy saving, we have developed energy saving goals: taking 2022 data as the benchmark, to control relevant energy use intensity per RMB1,000 of revenue at 90% to 110% over the next three years.

The Company actively responds to energy saving and emission reduction and deeply implements green office:

- Equipment Management: Advocating employees to turn off lighting and unnecessary equipment when leaving offices, laboratories, and warehouses, and to turn off computers and power supplies during lunch time and after work.
- Equipment Upgrading: Upgrading lighting equipment in office areas and using LED lighting products to reduce energy consumption.

The Company's energy usage in 2022, 2023 and 2024 is as follows:

	2022	2023	2024
Energy usage (kwh)	177,460.76	247,630.27	212,945.33
Energy use intensity (kwh/RMB'000)	8.89	5.97	13.07

Environmental, Social and Governance Report

5.2 Greenhouse Gas Emission

The Company actively responds to the national “dual carbon” strategy, attaches great importance to the management of its own GHG emissions, and sets goals for GHG emissions: taking 2022 data as the benchmark, to control the GHG emission intensity per RMB1,000 of revenue at 90% to 110% over the next three years.

According to the ESG Management system, the GHG emissions identified by the Company can be broadly classified into three categories:

- Scope 1: Direct emissions from the Company's operations, mainly from official vehicles.
- Scope 2: Indirect energy emissions, mainly from electricity purchased for offices, laboratories, and warehouses.
- Scope 3: Other indirect emissions, mainly from employees' business air travel.

We hope to advance corporate carbon neutrality by reducing Scope 1 and Scope 2 emissions. Our GHG emissions in 2022, 2023 and 2024 are as follows.

	2022	2023	2024
GHG emissions equivalent (tonnes)	87.07	113.79	76.78
GHG emissions intensity (tonnes/RMB'000)	<u>0.004</u>	<u>0.003</u>	<u>0.005</u>

5.2.1 Climate Change

We deeply recognize that climate changes have a significant impact on our operating conditions, employees' health, and the Company's stakeholders. Therefore, we consider incorporating climate change risks into the established systematic risk management structure to effectively identify, assess, and respond to risks and opportunities associated with climate change.

Environmental, Social and Governance Report

The Corporate Comprehensive Management Department is responsible for monitoring the impacts of climate changes on the Group's business during the summer and rainy seasons, formulating response measures for extreme weather, updating climate-related risk lists annually for the Board's review, as well as reporting on the implementation of annual plans to the ESG working group and putting forward rectification requirements when necessary to ensure that the Company can maintain steady operations amidst the challenges from climate changes.

5.3 Waste Management

As a corporation committed to environmental protection, the Company has always strictly complied with national and local laws and regulations, incorporated them into the Company's operation management systems, and set relevant waste emission goals: taking 2022 data as the benchmark, to control the waste emission per RMB1,000 of revenue at 90% to 110% over the next three years. We have classified the waste generated from our operations:

Non-hazardous waste: mainly including office paper, construction/demolition waste, business waste, residential/household waste, etc.

In order to reduce emissions of non-hazardous waste, the Company has adopted a series of measures. In addition to engaging waste transporters for recycling, the Company expects to reduce office waste generation at the source:

- Advocate employees to bring their own cups to reduce use of paper cups.
- Recycle cardboard boxes for second use.
- Advocate double-sided printing to reduce paper consumption.

For the waste generated, we manage the waste classification according to local waste classification requirements to ensure that various waste can be harmlessly dealt with.

Environmental, Social and Governance Report

Hazardous waste: mainly including waste printer toner cartridge

In order to reduce the emission of hazardous waste, the Company seals and stores the HW10 polychlorinated (brominated) biphenyl waste in special bottles and entrusts qualified third-party professional institutions for disposal. In the meantime, each waste-generating unit has set up a temporary waste placement and is equipped with labeled containers.

The Company's waste emissions in 2022, 2023 and 2024 are as follows

	2022	2023	2024
Non-hazardous waste: waste A4 office papers (kg)	1,250.00	2,012.50	2,473.85
Hazardous waste: waste printer toner cartridge generation (kg)	—	—	278.75
Waste generation per RMB1,000 of income(kg)	0.06	0.11	0.67

5.4 Water Resource Management

The Company strictly complies with the Water Law of the People's Republic of China (《中華人民共和國水法》), and national and local regulations relating to water resource protection and management, relevant laws relating to water pollution prevention and control, and relevant regulations regarding water saving. In order to ensure the compliance and effectiveness of water resource management, we have set water efficiency targets: taking 2022 data as the benchmark, to control water consumption per RMB1,000 of revenue at 90% to 110% over the next three years. We actively practice water and energy saving in accordance with internally developed water-saving systems:

- Regularly check meter readings and evaluate water pipe leakage, breakage, or other potential damages to reduce risks of water resource waste.
- Post water-saving tips in prominent areas of the workplace to deeply cultivate the culture of office water saving.
- Carry out water-saving training for all employees.
- Use materials that are conducive to a clean production environment and effectively reduce the consumption of cleaning agents and water.

Environmental, Social and Governance Report

Highlights

For the whole year, the Company's total water consumption is 313.52 cubic meters.

6 TALENT CULTIVATION

The Company always adheres to the management concept of "people-oriented", strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Employee Health and Safety Law (《員工健康與安全法》) and other relevant national laws and regulations, and actively practices the Elimination of Discrimination in Respect of Employment and Occupation (《消除就業和職業歧視公約》), the Convention on the Abolition of Forced Labor (《廢止強迫勞動公約》), the International Labor Organization Constitution (《國際勞工組織章程》), and the Ten Principles of the United Nations Global Compact (《聯合國全球契約十項原則》), and other international conventions and principles. The Company has established internal systems such as the Employee Handbook to protect the rights and interests of employees in all aspects.

6.1 Talent Attraction and Retention

The Company consistently adheres to the principles of fairness, impartiality and openness, and strictly prohibits any form of discrimination or child labor recruitment practices. In the recruitment process, we have established a standardized and scientific human resource management system, along with a well-defined workflow, to ensure efficiency and quality in recruitment. We have established the recruitment principles aligned with the strategic objectives of the Company, which emphasize a fair, just and open merit-based recruitment mechanism. Additionally, we enhance the transparency and objectivity of selection through comprehensive talent selection tools. In addition, we prevent labor disputes by conducting background checks to ensure that the hired employees are of legal age, have no criminal record, and have legally terminated their previous employment contracts. To prevent malpractice and other undesirable practices, the Company implements a relative avoidance policy during recruitment. All employees and their family members are required to truthfully declare their relatives, and any concealment or misrepresentation will be considered a violation of the policy. Relatives are prohibited from serving in the same management chain or related positions to ensure the fairness in employment practices.

Environmental, Social and Governance Report

For any non-compliance, the Company will immediately suspend the relevant recruitment process once discovery, initiate a comprehensive investigation process, and take corresponding remedial measures based on the results of the investigation. Disciplinary actions will be imposed on the individuals directly responsible. Meanwhile, we will further strengthen our internal management to prevent the recurrence of similar incidents and ensure the compliance and fairness of the hiring process.

As at the end of the reporting period, the employee composition of the Company is as follows:

By categories	Number of employees
Total employees	114
Male	76
Female	38
Management	22
Junior	92
Under 29 years old	25
30-49 years old	86
Above 50 years old	3

The total turnover for the year was one, with one male departure and no female departures, and one departure in the age category of 50 years and over.

To promote diversity and integration, prevent discrimination, and create a fair, diversified and inclusive working environment, we safeguard the rights and interests of employees and contribute to the sustainable development of the Company. The Company has established a democratic management system, set up an employee representative meeting and continuously improved feedback channels such as employee suggestion boxes, to ensure timely communication between employees and management and to further advance democratic management practices.

In addition, we also organize a variety of cultural activities and interest groups through regular competitions and friendly matches, such as the establishment of basketball and badminton teams. These activities help employees enjoy the fun of sports, relaxation, physical fitness and stress relief after work.

Environmental, Social and Governance Report

6.2 Training and Development

We understand that the professional growth of our employees is a key driver for the development of the Company. Therefore, we have established a series of training systems focused on continuous learning and professional development to promote the effective integration of theoretical knowledge and business practices. Through specialized training, online training, skills competitions and other diversified methods, we deepen our employees' understanding and application of business knowledge, improve the professional competence and skills of our on-site staff, promote knowledge sharing and teamwork, and provide strong talent support for the Company's innovative development. In accordance with relevant national regulations, we allocate funds for employee education and training in full compliance with the law, ensuring that these funds are used exclusively for their intended purpose. This approach effectively safeguards employees' right to training and support their career development in an all-round way:

- Specialized training system: We organize and conduct activities such as staff induction training, on-the-job training, transfer training, professional and technical skills, vocational skills appraisal and other education and training work.
- All-employee online training platform: We improve the construction of internal vocational training and skills training platform. Various types of vocational skills training for employees are organized to help them achieve success in their roles.
- Vocational skills competition and incentive system: We organize and encourage employees to participate in all kinds of vocational skills competitions in the name of the unit or individual, while also actively conducting internal vocational skills competitions. Performance incentives are provided to employees who demonstrate outstanding performance in such competitions, as well as to skilled personnel who exhibit exceptional performance and high skill levels in their actual work.

Environmental, Social and Governance Report

Highlights

During the reporting period, the number of participants in training amounted to 108, of whom 70 were men and 38 were women, with a coverage rate of 97.3%. The average number of hours of training for both male and female employees was 60 hours, with a total of more than 6,480 hours of training.

Meanwhile, in the face of different groups of employees, we establish different training programs and exchange activities, aiming to fully meet the growth needs of employees across various positions and professions.

6.3 Occupational Health and Safety

The Company strictly complies with the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and other relevant laws and regulations and industry standards. We continuously improve the health and safety responsibility system, establish a robust health and safety organizational structure and management system, and develop the Quality Manual (《質量手冊》), Laboratory Environmental Protection Management Procedures (《實驗室環境保護管理程序》) and Laboratory Safe Work and Environmental Management Procedures (《實驗室安全作業及環境管理程序》), which clarify the safety requirements for staff working in inspection and testing laboratories as well as on-site testing environments.

With reference to laws, regulations and industry-related provisions, we provide employees with facilities, equipment and protective gear that comply with occupational safety and health standards, and further enhance the awareness of workplace safety culture among our employees through regular safety arrangements, cultural promotion and other activities.

In addition, we pay great attention to the mental health of our employees and provide them with the necessary mental health support and communication channels. Through the construction of facilities such as basketball and badminton courts, we provide our employees with an environment that balances work and workplace life, enhancing both physical and mental well-being as well as team cohesion.

Environmental, Social and Governance Report

Highlights

As of December 31, 2024, the total number of work days lost by the employees of the Company due to work-related injuries was zero.

6.4 Remuneration and Benefits

The Company strictly formulates and implements policies on remuneration and benefit management in accordance with the laws and regulations on remuneration in China and Guangdong Province, as well as the personnel and salary management regulations of Guangdong Province. Upholding the principles of fairness and transparency, we are committed to establishing a comprehensive, industry-competitive remuneration and benefit protection system to provide employees with all-round support and protection.

Remuneration Management and Incentive System

The Company is committed to establishing a fair and market-competitive remuneration system. By regularly reviewing our remuneration structure, we ensure that remuneration levels are competitive in the external market while maintaining internal equity. All employees are entitled to a comprehensive salary package in accordance with the law. Taking into account the performance of our employees in terms of value creation, our remuneration design aims to stimulate their motivation and creativity, fostering a positive working environment.

To further enhance employee motivation, the Company has established a comprehensive incentive system. The Company's rewards for employees are categorized into four forms: commendation, promotion, salary increase and bonus payment. Among them, commendation is applicable to all employees who demonstrate outstanding performance, with the scope of recognition based on specific achievements; while employees who make significant contributions to the development of the Company may be eligible for further promotion, salary increase or bonus reward. This incentive system reflects the Company's continuous investment in talent attraction and retention.

Environmental, Social and Governance Report

Welfare protection

The Company strictly complies with the relevant national laws and regulations and pays all employees' social insurance and housing fund on time to safeguard their social security and future welfare. In addition, the Company implements an 8-hour working day and provides paid leave for employees:

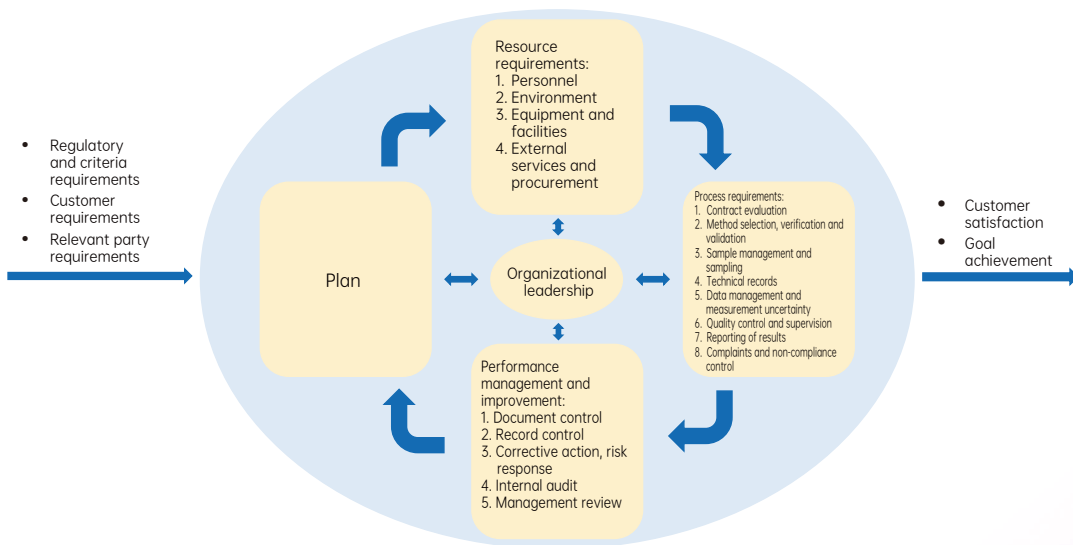
- Statutory holidays: Statutory holidays are implemented in accordance with the relevant regulations of the State and Guangdong province.
- Paid annual leave: Eligible employees are entitled to 5, 10 or 15 days of paid annual leave based on their accumulated years of service in accordance with the law.
- Marriage leave: Official employees of the Company who fulfill the formal marriage registration procedures in compliance with the Marriage Law will be granted marriage leave in accordance with the relevant regulations of the State and Guangdong province.
- Bereavement leave: In the event of the death of an immediate family member (i.e. spouse, child, parent, or parent of spouse) or an immediate breadwinner, the Company shall grant bereavement leave in accordance with the applicable laws and regulations, including provisions for round-trip travel, as stipulated by the State and Guangdong province.
- Parental leave: If a child is born in compliance with applicable laws and regulations, each parent is entitled to 10 days of parental leave per year until the child turns three. The cost-sharing of labor for the leave is implemented in accordance with the relevant regulations of the State and Guangdong province.
- Nursing leave: Nursing leave is granted in accordance with the relevant regulations of the State and Guangdong province.
- Family visit leave: Family visit leave is granted in accordance with the relevant regulations of the State and Guangdong province.

We aim to create an environment where employees can balance their family and personal life while developing their careers, and to achieve more efficient work and a better quality of life through a well-established system of paid leave.

Environmental, Social and Governance Report

7 PRODUCT LIABILITY

The Company places a high priority on user safety, product quality and safety, implementing a comprehensive lifecycle management for products. We are dedicated to delivering exceptional and high-quality services through continuous optimization of technological innovation and quality management system, to satisfy users' needs and win the trust of the market.



Product Quality Management System of Syntrust GK

7.1 Technological Innovation and Intellectual Property Rights

Technological Innovation

The Company recognizes that technological innovation and cutting-edge technology are the core drivers of product iteration. Therefore, we continue to increase our investment in research and development, promote the improvement of service quality through technological innovation, and strive to become an important participant and promoter of the digital transformation of products within the industry.

Environmental, Social and Governance Report

Case: Digital Enabling Testing Business

During the reporting period, Syntrust GK successfully realized the iteration of the Testing Information Intelligent Management System from V1.0 to V2.0 version, which realized real-time, on-site and error-free management of ledgers, fully meeting the diverse needs of modern office environments for paperless, process-driven, data-driven, mobile and intelligent operations. Furthermore, the Company has independently developed a material delivery pallet for construction material testing and obtained the national patent.



Information Intelligent Management System

广东集信国控检测认证技术服务中心股份有限公司专利/软著台账						
序号	申请号	申请日	授权日	名称	类型	备注
1	202311563889.2	2023-11-21		一种用于液地水环境治理的智慧监管平台	发明	已实审
2	2023SR1226932		2024-3-29	信测检测信息智能管理系统V1.0	软著	已下证
3	202420598171.8	2024-3-27	2024-9-19	建筑材料检测用的材料送检托盘	实用	已下证
4	2024SR1994078	2024-10-22	2024-12-5	柱基承载力检测系统 V1.0	软著	已下证
5	2024SR2010024	2024-10-2	2024-12-6	混凝土质量检测系统 V1.0	软著	已下证
6	202410118580.8	2024-1-29		一种项目进度管理系统及管理方法	发明	已实审
7	202420639621.3	2024-3-29		建筑材料检测用的材料送检托盘	实用	已实通
8	202410343645.9	2024-3-25		智慧建筑材料检测系统	发明	已实通
9	202422459290.8	2024-10-11		一种钢筋摆架	实用	已实通
10	202422516867.4	2024-10-17		一种激光打标装置	实用	已实通
11	202422561255.7	2024-10-23		一种钢筋称重测长装置	实用	已实通
12	202520161304X	2025-1-23		一种移动机器人	实用	已实通

一共是12件专利，其中11件是港澳递交，11件港澳递交情况如下：
3件软著和1件实用已下证；1件发明专利和1件实用新型专利被驳回其中发明专利重新申请中；1件发明专利和4件实用新型专利已实通

National Patent for Concrete Quality Testing System

Environmental, Social and Governance Report

Intellectual property rights

The Company strictly complies with relevant laws and regulations and has established a robust intellectual property management system based on our actual operations. This system ensures that the ownership of any results created within the employment relationship belongs to the Company. We adhere to obligations related to intellectual property rights and sign non-competition agreements with employees who are subject to confidentiality obligations, thereby safeguarding the commercial interests of the Company.

With respect to confidentiality obligations, the Company strictly stipulates the scope of confidentiality and minimizes the potential risk of intellectual property leakage through an approval system and other measures.

Highlights

As of the end of the reporting period, the Company had 1 newly added patent license, 3 newly added copyrights and 1 newly added trademark during the year.

7.2 Privacy and Information Security

The Company strictly adheres to relevant laws and regulations by formulating and implementing the Procedures for Protecting Customers Confidentiality and Ownership (《保護客戶機密和所有權的程序》). These measures ensure the safety and security of the information obtained during inspection and testing activities. We are committed to safeguarding the ownership of customer property, including samples, drawings, technical data, and sign confidentiality agreements with customers when necessary:

Environmental, Social and Governance Report

Confidentiality scope

- Customer information, sample information, test data and reports
- State secrets, business secrets and technical secrets obtained during testing activities
- Information provided by regulators and complainants

Confidentiality measures

- Implementing access control for inspection and testing sites
- Setting up a secure computer system
- Secure transmission of technical information
- Properly maintaining inspection and testing records
- Keeping inspection and test reports or certificates confidential

In addition, the Company has established a comprehensive risk management procedure to identify and respond to potential information security risks. By analyzing the sources of risks, we take actions to avoid, reduce or share risks. Through periodically evaluating and verifying the effectiveness of these measures, we adequately identify and implement different levels of confidentiality measures for various types of confidential information:

- State secrets refer to confidential matters related to national security, national defense, foreign affairs, economy, science and technology, among others.
- Business secrets include design information, product formulas, production processes, customer lists, marketing strategies, among others.
- Technical secrets include product formulas, processes, know-how, design drawings, test data and records, computer programs, among others.

Environmental, Social and Governance Report

7.3 Product Quality and Safety

The Company always prioritizes quality and safety to ensure that the inspection and testing services provided meet the highest industry standards. In accordance with the relevant laws and regulations, management measures and evaluation guidelines, and taking into account its own actual situation, the Company has established core management policies, such as the Quality Manual (《質量手冊》) and the Procedure Documents (《程序文件》). The quality policy and objectives have been determined by senior management. The Quality Manual is organized and compiled by quality officer and approved by the general manager for implementation. It covers quality policy objectives, commitments, management, technical and safety requirements. Additionally, the Company has established a management system, and quality officer, in collaboration with the team, establishes, implements and maintains a quality management system tailored to the Company's actual situation based on the relevant documents. Through regular training and learning programs, all employees gain a deep understanding of and strictly adhere to the quality management system documents. This ensures that the quality philosophy is integrated into the entire product lifecycle, comprehensively safeguarding the health and safety of products and services.



Quality management system

- Quality manual: It stipulates the Company's quality policy and serves as a comprehensive, normative document that describes the establishment and operation of the management system in accordance with relevant requirements;

Environmental, Social and Governance Report

- **Procedure document:** The document that stipulates the methods and requirements of each quality activity of the Company. It serves as a supporting document to the quality manual and encompasses the management system;
- **Operational guideline:** The guideline stipulates normative documents that specify a specific activity. They include various types of product standards, inspection standards, technical specifications, operating procedures, testing rules, technical regulations and documents;
- **Records:** Witnesses to the operation of the management system are present throughout the reporting process. They are categorized into two types: quality records and technical records. Quality records, which pertain to management activities, are the responsibility of the quality staff. Technical records, which relate to testing activities, fall under the responsibility of the technical staff.

We expect that the quality concept will be deeply rooted in the Company's product culture through regular training, risk control and closed-loop management.

- **Quality training:** A total of 86 employees participated in the training program, completing a total of 6,480 training hours.
- **Risk management and control:** The Company strictly implements product quality testing procedures, taking into account factors such as the volume of testing business, the stability and complexity of the testing methods, the degree of reliance on the experience of technicians, the frequency and results of participation in external comparisons (including proficiency testing), the skills and experience of personnel, the number of personnel and changes, as well as the testing of new methods, changes in methodology or special requirements that may impact testing quality. In addition, we have established a comprehensive product recall process to continuously strengthen product quality management.
- **Closed-loop management:** The Company conducts regular audits and reviews of its quality management through the Internal Audit Procedures (《內部審核程序》) and Management Review Procedures (《管理評審程序》) to promote continuous improvement of the quality management system and achieve closed-loop management.

Environmental, Social and Governance Report

Highlights

During the reporting period, the Company did not experience any product recall incidents due to safety and health reasons.

Case: Quality System Training



Training site

7.4 Customer Service

The Company attaches great importance to customer service and has established the Requirements, Bids and Contracts Evaluation Procedures (《要求、標書和合同評審程序》) to ensure the provision of high-quality services to customers. These procedures cover on-site service commitments, customer communication, issue handling and customer satisfaction management.

- **Customer information management:** The operations department is responsible for collecting and maintaining key customer information, including telephone numbers, fax, address, zip code, customer name and e-mail address, and establishing a complete customer file to provide basic support for follow-up services.

Environmental, Social and Governance Report

- **Service commitment and communication:** The operations department collaborates with the inspection department to define customer needs, including requirements for inspection, on-site services, and corporate observations. Special customer requests are accommodated to the extent possible while maintaining the confidentiality of other customers. All employees are expected to be approachable and provide clear responses to customer inquiries.
- **Issue handling and notification:** During the testing process, the testing department should notify the customer in a timely manner if there is any data deviation or delay. When the customer raises questions regarding the test results, the authorized signatory, technical staff and quality officer are responsible for providing clarifications, technical guidance, and explanations related to quality issues, respectively. This ensures that all concerns are properly addressed.
- **Customer feedback and satisfaction management:** The Company attaches importance to each and every feedback received from customers. All feedback, whether positive or negative, is recorded and fed back to the relevant departments to serve as a foundation for management review and system enhancement. We conduct regular customer satisfaction to monitor customer needs and address any dissatisfaction or basic satisfaction, striving to achieve complete customer satisfaction.

Highlights
During the reporting period, our service satisfaction rate was 100%, with no customers' complaints.

8 WIN-WIN COOPERATION

8.1 Promotion of Industry Development

Syntrust GK aims to establish long-term and stable cooperative relationship with universities. By integrating the scientific research strengths of universities with the industrialization resources of enterprises, we seek to further explore the scientific research potential of enterprises and jointly carry out technological research, promotion and application. In addition, we aim to build a practical platform that bridges academic and application, thereby enhancing the level of education standards of universities.

Environmental, Social and Governance Report

Case: University-Enterprise Collaboration to Establish a "Technology Innovation & Practical Teaching" Base

On November 15, 2024, Syntrust GK and Guangdong Polytechnic of science and trade signed a collaboration agreement to jointly establish a technology innovation base and a practice teaching base. This initiative deeply embodies the integration of industry and academia.



University-Enterprise Collaboration to Establish a "Technology Innovation & Practical Teaching" Base

8.2 Supply Chain Management

The Company rigorously adheres to laws and regulations governing supply chain management, including local and international laws and regulations related to anti-bribery, anti-corruption and other unethical business practices. The Company has compiled and issued a series of policies and systems to impose a series of requirements on each department with the aim of continuously improving the management of the supply chain. These systems cover areas such as supplier/subcontractor selection criteria, procurement and supplier management system, supplier admission management, supplier performance evaluation and supplier adjustment management.

Environmental, Social and Governance Report

— *Supplier Management Process*

- **Supplier access management:** The Company has established stringent screening criteria, prioritizing local suppliers to reduce the carbon footprint and incorporating suppliers' ESG performance into the evaluation process. We conduct qualification audits and information verification for suppliers, including but not limited to ISO9001 quality control system certification, CMA accreditation, CNAS laboratory accreditation. These measures ensure that the performance and credibility of potential suppliers meet the Company's requirements, thereby guaranteeing the transparency and compliance of the supply chain.
- **Supplier evaluation management:** The Company conducts regular assessments and audits of suppliers based on their delivery timeliness, product quality and service attitude. Annually, the technical staff organizes evaluations involving personnel responsible for acceptance and end-users from the previous year. We select the qualified suppliers with good reputation, stable product quality and excellent after-sales service. These suppliers are documented in a dedicated file, which is registered and archived by the quality system management department.
- **Supplier adjustment management:** For suppliers with serious quality issues, the enterprise comprehensive management department should suspend their supply qualification in time and require them to carry out rectification. Only those suppliers who are qualified for rectification can regain the qualification for supply. For suppliers with repeated quality issues, the enterprise comprehensive management department will remove them from the supplier pool and hold them accountable.

— *Supplier ESG Codes of Conduct*

To promote sustainable development, the Company actively advocates that its suppliers follow certain ESG codes of conduct, which are designed to guide suppliers to take positive measures in the areas of environmental protection, social responsibility and corporate governance, thereby jointly promoting high-quality sustainable development.

Environmental, Social and Governance Report

Labor rights protection

- 1) Forced labor and child labor of any kind are prohibited.
- 2) Provide employees with a workplace free from discrimination, harassment, violence, coercion, or other inhumane behaviors.
- 3) Respect employees' participation in labor union activities in accordance with local laws and regulations.

Occupational health and safety

- 1) Create a safe and healthy work environment for employees, and prevent occupational diseases.
- 2) Identify and evaluate potential emergencies and develop contingency plans for such emergencies including but not limited to fire and natural disasters.

Environmental protection

- 1) Commitment to effective measures to reduce the consumption of resources (such as water, electricity, fuel) during the production process.
- 2) Obtain or possess environmental permits or other licences, take corresponding environmental protection measures, and follow disclosure requirements.
- 3) Follow the principles of reduction, recycling and recovery, encourage the proper handling of recyclable materials and reduce the waste of resources through recovery, reuse or safe disposal.

Compliance operation

- 1) Strictly comply with local laws and regulations and conduct legal business activities.
- 2) Reject any form of commercial fraud, bribery or unfair competition and corrupt practices, and ensure the legitimacy and transparency of business activities.

Environmental, Social and Governance Report

Highlights

As of the end of the reporting period, the Company had a total of 111 suppliers, including 85 suppliers within the province and 26 outside the province. We conducted evaluations on 2 instrument and equipment purchasers and 2 instrument and equipment verification and calibration service providers, with a qualification rate of 100%.

Adhering to the philosophy of sustainable value chain management, the Company empowers suppliers to promote in areas such as product quality, safety management, and corporate social responsibility. Simultaneously, we are constantly improving our monitoring procedures to safeguard at every stage of the supply chain.

9 COMMUNITY DEVELOPMENT

9.1 Promotion of Community Development

The Company adheres to the development philosophy of "building and sharing together", consistently striving to establish a harmonious and coexisting relationship with the communities in which we operate. During our business activities, we steadfastly incorporate community interests into our decision-making processes. By deeply understanding the needs of the community, we actively seek opportunities for mutual development. The Company allocates resources to support community development, focusing on various areas such as cultural education, public health, labor and vocational skills, environmental protection, social emergency response, and public welfare platforms. We firmly believe that strong community relations are a crucial factor for the long-term development of the enterprise. Going forward, we will invest more resources in community education and cultural development.

Highlights

During the reporting period, the total amount invested in community public welfare initiatives was RMB5.78 thousand.

Environmental, Social and Governance Report

9.2 Support for Staff Volunteer Activities

Syntrust GK adheres to the philosophy of "strategic synergy", recognizing the value of staff volunteer services as a vital means to reflect the Company's mission, strengthen team cohesion, and fulfill social responsibilities. Guided by the principles of fairness, impartiality, and transparency, we ensure that the values of staff volunteer services are closely aligned with the enterprise's development goals. By establishing a robust volunteer service management system, we effectively integrate internal and external resources, providing staff with a professional platform for volunteer services. This enhances community service levels, precisely addresses social needs, and promotes social harmony, while continuously elevating the credibility and brand influence of the Company.

Case: Assisting in the Ten Chaos remediation, co-building a beautiful home

During the reporting period, we organized the "Assisting in the Ten Chaos remediation, co-building a beautiful home" event, where employees were assigned to participate in community sanitation and cleaning activities, driving the continuous improvement of the community environment. The event attracted the participation of over 103 individuals, with a cumulative activity duration of 10 hours.



Community environmental improvement activities

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10 APPENDIX

10.1 ESG Key Performance Data

10.1.1 List of Environmental Performance Indicators

Environmental indicators		2024	2023	2022	Unit
Air pollutant emissions ¹	NO _x	11.22	/	/	kg
	SO _x	0.22	/	/	kg
	PM	0.83	/	/	kg
Greenhouse gas emissions	Total greenhouse gas emissions ²	76.78	113.79	87.07	tonnes CO ₂ equivalent ²
	Direct emissions (Scope 1) ³	34.33	84.20	16.84	tonnes CO ₂ equivalent ²
	Indirect emissions (Scope 2) ⁴	42.45	29.59	70.23	tonnes CO ₂ equivalent ²
	Greenhouse gas emissions per RMB'000 income (Scope 1 & 2)	0.005	0.003	0.004	tonnes CO ₂ equivalent ²

¹ The air emission data were calculated in accordance with the emission sources, fuel consumption, the Technical Guidelines for the Preparation of Air Pollution Emission Inventory from Road Motor Vehicles (Trial) and the Technical Guidelines for the Preparation of Emissions Inventory from Non-road Mobile Source (Trial) in Mainland China, as well as the Manual of the Accounting Methods and Coefficients of Boiler Pollution issued by the Ministry of Ecology and Environment of the PRC. The data of air emissions from non-mobile sources during the reporting period only include air emissions caused by the direct use of boilers from projects, and do not include other appliances such as cooking appliances; the emission data from road mobile sources and non-road mobile sources include the emission resulted from natural gas, petrol and diesel used by related facilities.

² The Company has adopted the method of "rights of operation and control" to define the organisational boundary in terms of the statistics and reporting of GHG. Scope 1 and Scope 2 emissions were calculated in accordance with the emission sources and fuel consumption, as well as the relevant conversion factors from the Guideline on Accounting Methods and Reporting of GHG Emissions of Land Transport Enterprises (Trial), and the Guidelines on Accounting Methods and Reporting of GHG Emissions of Enterprises in Other Industrial Sectors (Trial) in Mainland China.

³ The data of direct GHG emissions were calculated in accordance with stationary source, road mobile sources, non-road mobile sources, and the Guidelines on the GHG Emission Accounting and Reporting for Public Building Operation Units (Enterprises) (Trial) and the Guidelines on the GHG Emission Accounting and Reporting for Land Transport Enterprises (Trial) from mainland China.

⁴ The data of indirect GHG emissions were calculated in accordance with purchased electricity consumption and the national grid average emission factors published by the Ministry of Ecology and Environment of the PRC. In particular, the grid emission factors used for the calculation of greenhouse gas emissions from electricity purchased in 2024 are derived from the Announcement on the Release of 2022 Carbon Dioxide Emission Factors for Electricity issued by the Ministry of Ecology and Environment of the People's Republic of China.

Environmental, Social and Governance Report

Environmental indicators		2024	2023	2022	Unit
Waste emissions	Total volume of non-hazardous waste generated ⁵	9,473.85	2,012.5	1,250	kg
	Office paper	2,473.85	2,012.50	1,250.00	kg
	Total volume of hazardous waste generated ⁶	1,439.75	2,600.00	/	kg
	Printer cartridges	278.75	/	/	kg
	Total volume of waste generated	10,913.60	4,612.50	1,250.00	kg
	Waste generation per RMB'000 income	0.67	0.11	0.06	kg
Energy consumption	Total energy consumption ⁷	212,945.33	247,630.27	177,460.76	kWh
	Unleaded petrol	105,105.02	81,474.25	46,984.90	kWh
	Diesel	28,739.86	28,140.22	15,369.86	kWh
	Electricity purchased	79,100.45	138,015.80	115,106.00	kWh
	Total energy consumption per RMB'000 income	13.07	5.97	8.89	kWh
Water consumption	Total water consumption ⁸	313.52	295.00	275.00	m ³
	Total water consumption per RMB'000 income	0.02	0.01	0.01	m ³

⁵ Non-hazardous waste mainly refers to office paper, construction/demolition waste, business waste, residential/household waste, etc.

⁶ Hazardous waste mainly includes printer cartridges, etc.

⁷ The energy consumption data were calculated in accordance with the amount of purchased electricity and consumed natural gas, petrol and diesel, as well as relevant conversion factors from the Guidelines on Accounting Methods and Reporting of GHG Emissions of Enterprises in Other Industrial Sectors (Trial) issued by the National Development and Reform Commission of the PRC and the International Energy Agency.

⁸ Total water consumption refers to the amount of municipal water (tap water) used.

Environmental, Social and Governance Report

10.1.2 List of Social Performance Indicators

Social indicators		2024	2023	2022	Unit
Employment compliance	Number of employees	114	106	/	person
	By gender				
	Male employees	76	67	/	person
	Proportion of male employees in total	66.67	63.21	/	%
	Female employees	38	39	/	person
	Proportion of female employees in total	33.33	36.79	/	%
	By age				
	Over 50	3	3	/	person
	Proportion of employees aged 50 above in the total number	2.63	2.83	/	%
	30-49	86	66	/	person
	Proportion of employees aged 30-49 in the total number	75.44	62.26	/	%
	29 and below	25	37	/	person
	Proportion of employees aged 29 and below in the total number	21.93	34.91	/	%
	By rank				
	Total number of management-level employees	22	/	/	person
	Total number of general employees	92	/	/	person
	Total employees turnover	1	/	/	person
	Total turnover of male employees	1	/	/	person

Environmental, Social and Governance Report

Social indicators	2024	2023	2022	Unit
Employees' training and development	Number of employee attended career development-related training			
	Male employees	70	/	/ person
	Female employees	38	/	/ person
	management-level employees	22	/	/ person
	General employees	86	/	/ person
	Number of hours per employee attended career development-related training			
	Male employees	60	/	/ hour
	Female employees	60	/	/ hour
	management-level employees	60	/	/ hour
	General employees	60	/	/ hour
Supply chain management	Within the province	85	/	/ number
	Outside the province	26	/	/ number
	Total number of suppliers	111	/	/ number
Community public welfare	The amount of community/charity investment	5.78	/	/ RMB'000
	Number of employees participating in social public welfare activities	103	/	/ person
	Duration of community public welfare activities	10	/	/ hour
Occupational health and safety	Number of work-related fatalities	0	0	0 person

Environmental, Social and Governance Report

10.2 Index to the Reporting Guide

Topics	Guide Requirements	Disclosure Sections	
A. Environment			
A1: Emissions	<p>General Disclosure</p> <p>With respect to emissions of exhaust gases and greenhouse gases, discharges to water and land, and generation of hazardous and non-hazardous waste:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	5 ENVIRONMENTAL PROTECTION	
	KPI A1.1	Emission types and related emission data.	10.1.1 List of Environmental Performance Indicators
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, if applicable, density (e.g., per production unit, per facility).	10.1.1 List of Environmental Performance Indicators
	KPI A1.3	Total amount of hazardous waste generated (in tonnes) and (if applicable) density (e.g., per production unit, per facility).	10.1.1 List of Environmental Performance Indicators
	KPI A1.4	Total amount of non-hazardous waste generated (in tonnes) and (if applicable) density (e.g., per production unit, per facility).	10.1.1 List of Environmental Performance Indicators

Environmental, Social and Governance Report

Topics	Guide Requirements		Disclosure Sections
	KPI A1.5	Describe the emission targets established and the steps taken to reach them.	5.3 Waste Management
	KPI A1.6	Describe the methods used to treat hazardous and non-hazardous waste and describe the waste reduction goals set and the steps taken to achieve them.	5.3 Waste Management
A2: Resource consumption	General Disclosure Policies for efficient use of resources (including energy, water and other raw materials).		5.1 Energy Emission Reduction
	KPI A2.1	Total direct and/or indirect energy (e.g., electricity, gas, or oil) consumption (in 1000 KWH) and density (e.g., per production unit, per facility) by type.	10.1.1 List of Environmental Performance Indicators
	KPI A2.2	Total water consumption and density (e.g., per production unit, per facility).	10.1.1 List of Environmental Performance Indicators
	KPI A2.3	Describe the energy efficiency goals established and the steps taken to achieve them.	5.1 Energy Emission Reduction
	KPI A2.4	Describe any problems in finding a suitable water source, as well as the water efficiency goals set and the steps taken to achieve them.	5.4 Water Resource Management

Environmental, Social and Governance Report

Topics	Guide Requirements		Disclosure Sections
	KPI A2.5	The total amount of packaging material used in finished goods (in tonnes) and (if applicable) the amount per production unit.	Not involved
A3: Environment and natural resources	General Disclosure Policies to reduce the issuer's significant impact on the environment and natural resources.		5 ENVIRONMENTAL PROTECTION
	KPI A3.1	Describe the significant impact of business activities on the environment and natural resources and the actions taken to manage such impact.	5.1 Energy Emission Reduction
A4: Climate change	General Disclosure Policies for identifying and responding to significant climate-related issues that have and may have an impact on the issuer.		5.2 Greenhouse Gas Emission
	KPI A4.1	Describe significant climate-related issues that have and may have an impact on the issuer, and actions to address them.	5.2 Greenhouse Gas Emission

Environmental, Social and Governance Report

Topics	Guide Requirements	Disclosure Sections
B. Society		
B1: Employment	<p>General Disclosure</p> <p>With respect to remuneration and termination, recruitment and promotion, hours of work, leave, equal opportunity, diversity, anti-discrimination and other treatment and benefits:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	6 TALENT CULTIVATION
	<p>KPI B1.1</p> <p>Total number of employees by gender, employment type (e.g., full-time or part-time), age group, and geographical region.</p>	10.1.2 List of Social Performance Indicators
	<p>KPI B1.2</p> <p>Employee turnover rate by gender, age group and geographical region.</p>	10.1.2 List of Social Performance Indicators
B2: Health and safety	<p>General Disclosure</p> <p>With regard to providing a safe working environment and protecting employees from occupational hazards:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	6.3 Occupational Health and Safety

Environmental, Social and Governance Report

Topics	Guide Requirements		Disclosure Sections
	KPI B2.1	The number and rate of work-related fatalities in each of the past three years (including the reporting period).	10.1.2 List of Social Performance Indicators
	KPI B2.2	Working days lost due to work-related injuries.	6.3 Occupational Health and Safety
	KPI B2.3	Describe the occupational health and safety measures adopted, and the related implementation and monitoring methods.	6.3 Occupational Health and Safety
B3: Development and training	General Disclosure		6.2 Training and Development
	Policies related to enhancing employees' knowledge and skills to perform their job duties. Description of training activities.		
	KPI B3.1	Percentage of employees who received training by gender and employee category (e.g., senior management, mid-level management).	10.1.2 List of Social Performance Indicators
	KPI B3.2	Average number of hours of training completed per employee, by gender and employee category.	10.1.2 List of Social Performance Indicators

Environmental, Social and Governance Report

Topics	Guide Requirements	Disclosure Sections
B4: Labor standards	<p>General Disclosure</p> <p>With regard to the prevention of child labor or forced labor:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	6.1 Talent Attraction and Retention
	<p>KPI B4.1</p> <p>Describe measures to review recruitment practices to avoid child labor and forced labor.</p>	6.1 Talent Attraction and Retention
	<p>KPI B4.2</p> <p>Describe the steps taken to eliminate violations when they are found.</p>	6.1 Talent Attraction and Retention
B5: Supply chain management	<p>General Disclosure</p> <p>Manage environmental and social risk policies for the supply chain.</p>	8.2 Supply Chain Management
	<p>KPI B5.1</p> <p>Number of suppliers by geographical region.</p>	10.1.2 List of Social Performance Indicators
	<p>KPI B5.2</p> <p>Describe the practices of hiring suppliers, the number of suppliers who implement the practices, and the related implementation and monitoring methods.</p>	8.2 Supply Chain Management

Environmental, Social and Governance Report

Topics	Guide Requirements		Disclosure Sections
	KPI B5.3	Describe the practice of identifying environmental and social risks in each link of the supply chain, and the related implementation and monitoring methods.	8.2 Supply Chain Management
	KPI B5.4	Describe the practice of promoting the use of environmentally friendly products and services when selecting suppliers, and the related implementation and monitoring methods.	8.2 Supply Chain Management
B6: Product liability	<p>General Disclosure</p> <p>With regard to health and safety, advertising, labelling and privacy issues of products and services provided and remedies:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>		7 PRODUCT LIABILITY
	KPI B6.1	Percentage of the total number of products sold or shipped that are subject to recall for safety and health reasons.	Not involved
	KPI B6.2	The number of complaints about products and services received and the countermeasures.	7.4 Customer Service

Environmental, Social and Governance Report

Topics	Guide Requirements		Disclosure Sections
	KPI B6.3	Describe practices related to the maintenance and protection of intellectual property rights.	7.1 Technological Innovation and Intellectual Property Rights
	KPI B6.4	Describe the quality verification process and product recall procedures.	7.3 Product Quality and Safety
	KPI B6.5	Describe the consumer data protection and privacy policy and the related enforcement and monitoring methods.	7.2 Privacy and Information Security
B7: Anti-corruption	<p>General Disclosure</p> <p>With regard to the prevention of bribery, extortion, fraud and money laundering:</p> <p>(a) Policies; and</p> <p>(b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>		3.4 Business Ethics Management
	KPI B7.1	The number of corruption litigation cases filed against the issuer or its employees and concluded during the reporting period and the litigation results.	3.4 Business Ethics Management
	KPI B7.2	Describe preventive measures and reporting procedures, as well as related implementation and monitoring methods.	3.4 Business Ethics Management
	KPI B7.3	Describe the anti-corruption training provided to directors and employees.	3.4 Business Ethics Management

Environmental, Social and Governance Report

Topics	Guide Requirements	Disclosure Sections
B8: Community investment	General Disclosure Policy on community participation to understand the needs of the community in which it operates and to ensure that its business activities will consider the interests of the community.	9 COMMUNITY DEVELOPMENT
	KPI B8.1 Extent of social undertakings (such as education, environmental issues, labor demand, health, culture, sports).	9.1 Promotion of Community Development
	KPI B8.2 Resources used in social undertakings (such as money and time)	10.1.2 List of Social Performance Indicators

Independent Auditor's Report



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To the shareholders of Guangdong Syntrust Gk Testing And Certification Tech Service Center Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Guangdong Syntrust Gk Testing And Certification Tech Service Center Co., Ltd. (the "**Company**") set out on pages 152 to 227, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

Key audit matters (Continued)

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables	
<p>As at 31 December 2024, the gross carrying amount and loss allowance of trade receivables amounted to RMB59,927,000 and RMB11,290,000, respectively.</p> <p>Management performed assessment on provision for expected credit losses on trade receivables, on an individual and collective basis, based on the expected credit loss ("ECL") rates. The ECL rates had taken into account of all reasonable and reliable information, including customers' profile, credit risks, historical default rates, ageing profile of the receivables, existing market conditions as well as forward-looking factors.</p> <p>We identified this area as a key audit matter because of the magnitude of the balance of trade receivables and the assessment of the ECL on trade receivables involved significant judgements and estimates made by management.</p> <p>The significant accounting estimates and disclosures about the provision for expected credit losses on trade receivables are included in notes 2.4, 3 and 17 to the financial statements, respectively.</p>	<p>We performed the following procedures in relation to the provision for expected credit losses on trade receivables:</p> <ul style="list-style-type: none"> — Obtained an understanding of management's credit policy, internal controls and assessment processes of estimating the provision for ECL on trade receivables; — Evaluated the methodologies applied and the key assumptions, including the groupings of various customer categories and applied ECL rates; — Checked the underlying data used in the ECL assessment to supporting evidence; — Checked the mathematical accuracy of the calculation of the provision for ECL allowance; — Assessed the adequacy of the Company's disclosures of provision for ECL on trade receivables in the financial statements.

Independent Auditor's Report

Other information included in the Annual Report

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

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors of the Company are responsible for assessing the Company'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 Company or to cease operations or have no realistic alternative but to do so.

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 Kee Wendy Wing Shi.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2025

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
REVENUE	5	55,260	41,500
Cost of sales		<u>(20,153)</u>	<u>(11,719)</u>
Gross profit		35,107	29,781
Other income and gains	5	5,828	690
Administrative expenses		(17,262)	(10,157)
Research and development expenses		(694)	(113)
Impairment losses on financial assets at amortised cost, net		551	(1,317)
Other expenses		(2)	(931)
Finance costs	7	<u>(1,212)</u>	<u>(219)</u>
PROFIT BEFORE TAX	6	22,316	17,734
Income tax expense	10	<u>(6,019)</u>	<u>(4,480)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>16,297</u>	<u>13,254</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		<u>RMB0.61</u>	<u>RMB0.64</u>

Statement of Financial Position

31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	24,381	4,225
Right-of-use assets	14	38,661	1,688
Other intangible assets	15	502	116
Deferred tax assets	22	2,299	3,040
Prepayments and other receivables	18	1,680	3,025
Total non-current assets		<u>67,523</u>	<u>12,094</u>
CURRENT ASSETS			
Inventories	16	2,983	1,390
Trade receivables	17	48,637	29,325
Prepayments and other receivables	18	6,046	16,876
Time deposits	19	10,000	—
Cash and cash equivalents	19	99,856	59,145
Total current assets		<u>167,522</u>	<u>106,736</u>
CURRENT LIABILITIES			
Trade payables	20	4,831	612
Other payables and accruals	21	10,330	10,364
Lease liabilities	14	1,219	508
Tax payable		1,534	3,267
Total current liabilities		<u>17,914</u>	<u>14,751</u>
NET CURRENT ASSETS		<u>149,608</u>	<u>91,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>217,131</u>	<u>104,079</u>
NON-CURRENT LIABILITIES			
Lease liabilities	14	38,342	1,494
Total non-current liabilities		<u>38,342</u>	<u>1,494</u>
Net assets		<u>178,789</u>	<u>102,585</u>

Statement of Financial Position

31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
EQUITY			
Share capital	23	33,929	23,750
Reserves		144,860	78,835
Total equity		178,789	102,585

Lai Feng
Director

Mai Jiayu
Director

Statement of Change in Equity

31 December 2024

	Paid-in capital RMB'000 (note 23)	Share capital RMB'000 (note 23)	Share premium RMB'000 (note 23)	Capital reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	1,820	—	—	—	910	66,601	69,331
Profit and total comprehensive income for the year	—	—	—	—	—	13,254	13,254
Transfer from retained earnings to reserves (note b)	—	—	—	58,280	(910)	(57,370)	—
Transfer from capital reserves to paid-in capital (note c)	2,930	—	—	(2,930)	—	—	—
Paid-in capital contribution from an equity holder (note c)	250	—	—	4,750	—	—	5,000
Conversion into a joint stock company (note b)	(5,000)	20,000	46,072	(60,100)	(143)	(829)	—
Share capital contribution from an equity holder (note c)	—	3,750	11,250	—	—	—	15,000
Appropriation to statutory reserves	—	—	—	—	1,325	(1,325)	—
At 31 December 2023	—	23,750	57,322*	—*	1,182*	20,331*	102,585

	Share capital RMB'000 (note 23)	Share premium RMB'000 (note 23)	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	23,750	57,322	1,182	20,331	102,585
Profit and total comprehensive income for the year	—	—	—	16,297	16,297
Issue of shares	10,179	77,672	—	—	87,851
Share issue expenses	—	(27,944)	—	—	(27,944)
Appropriation to statutory reserves	—	—	1,630	(1,630)	—
At 31 December 2024	33,929	107,050*	2,812*	34,998*	178,789

* These reserve accounts comprise the reserves of RMB144,860,000 (2023: RMB78,835,000) in the statement of financial position.

Statement of Change in Equity

31 December 2024

Notes:

- (a) In accordance with the PRC Company Law, the Company is required to appropriate 10% of its profits after tax, as determined in accordance with relevant accounting principles generally accepted in the PRC and other applicable regulations, to the statutory reserves until such reserves reach 50% of its registered capital. The appropriation to the reserves must be made before any distribution of dividends to equity holders of the Company. The statutory reserves can be used to offset losses carried forward from previous years, if any, and part of the statutory reserves can be capitalised as the company capital provided that the amount of the remaining balance of reserves after the capitalisation shall not be less than 25% of its capital.
- (b) In July 2023, the Company was converted into a limited liability company. According to the resolution of the shareholder, certain retained earnings and statutory reserves of the Company amounting to approximately RMB58,280,000 were transferred to capital reserves.

In October 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. By reference to the net assets of the Company as at 31 July 2023 amounting to approximately RMB66,072,000, the Company issued 20,000,000 ordinary shares at RMB1 each, the excess of net assets over nominal value of the ordinary shares was credited to the share premium.

- (c) In July 2023, the Company increased its paid-in capital by RMB2,930,000 by way of capitalisation of capital reserves of the Company.

In July 2023, Xinyi Xinhui State-owned Capital Investment Group Co., Ltd. ("**Xinyi Xinhui**") made a capital contribution in terms of cash of RMB5,000,000 to the Company, of which RMB250,000 was recognised as paid-in capital and RMB4,750,000 was recognised to capital reserves of the Company.

In November 2023, Xinyi Xinhui made an capital contribution, in terms of cash, of RMB15,000,000 to the Company, of which RMB3,750,000 was recognised as share capital and RMB11,250,000 was recognised to share premium of the Company.

Statement of Cash Flows

Year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		22,316	17,734
Adjustments for:			
Finance costs	7	1,212	219
(Reversal)/provision for credit loss of trade receivables	6	(550)	1,402
Reversal for credit loss of other receivables	6	(1)	(85)
Loss on disposal of items of property, plant and equipment	6	—	38
(Gain)/losses on the disposal of right-of-use assets	6	(148)	869
Depreciation and amortisation	6	4,725	1,891
Foreign exchange differences		(2,157)	—
Interest income	5	(405)	(328)
		24,992	21,740
(Increase)/decrease in inventories		(1,358)	538
(Increase)/decrease in trade receivables		(18,762)	3,818
Increase in prepayments and other receivables		(4,713)	(126)
Increase/(decrease) in trade payables		4,219	(126)
Increase/(decrease) in other payables and accruals		2,448	(423)
Cash generated from operations		6,826	25,421
Interest received		394	328
Income tax paid		(7,011)	(3,807)
Net cash flows from operating activities		209	21,942

Statement of Cash Flows

Year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(18,689)	(4,536)
Purchases of items of intangible assets		(441)	(56)
Placement of time deposits		(10,000)	—
Advance of a loan to a related party		—	(7,850)
Repayment from a related party		—	7,850
		<u>(29,130)</u>	<u>(4,592)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of capital contribution from equity holders		—	20,000
Proceeds from issuance of ordinary shares	<i>23</i>	87,851	—
Principal portion of lease payments	<i>25(b)</i>	(518)	(167)
Interest element on lease payments	<i>25(b)</i>	(1,212)	(219)
Repayment of lease deposits		(742)	—
Payments of listing expenses deducted against equity		(17,904)	(10,040)
		<u>67,475</u>	<u>9,574</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		59,145	32,221
Effect of foreign exchange rate changes, net		2,157	—
		<u>99,856</u>	<u>59,145</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>99,856</u>	<u>59,145</u>

Notes to the Financial Statements

31 December 2024

1. CORPORATE INFORMATION

Guangdong Syntrust Gk Testing And Certification Tech Service Center Co., Ltd. (the "**Company**") is a state-owned enterprise incorporated in Guangdong Province of the People's Republic of China (the "**PRC**"). The Company was established as a joint-stock cooperative enterprise on 28 March 2000. The Company was converted into a limited liability company in July 2023 and was further converted into a joint stock company with limited liability in October 2023. The address of the Company's registered office is Floor 1, Building A, Xinyi Construction Bureau Courtyard, Maoming City, Guangdong Province.

The Company is principally engaged in providing testing services and inspection services for construction projects, construction materials and food and agricultural products in the PRC. The Company's immediate holding company is Xinyi City Construction Engineering Quality and Safety Affairs Center ("**Xinyi City CEQS Center**"), a public institution of the Xinyi City People's Government under the Xinyi City Bureau of Housing and Urban-Rural Development.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Notes to the Financial Statements

31 December 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The above revised HKFRS Accounting Standards effective for the financial year beginning on 1 January 2024 did not have a material impact on the Company.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts referencing Nature-dependent Electricity</i>
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

Notes to the Financial Statements

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

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

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

Except for the impact of HKFRS 18, management considers that the adoption of the above mentioned new and revised HKFRS Accounting Standards is not expected to have a material impact on the Company in future reporting periods when they become effective.

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Machinery equipment	10% to 32%
Leasehold improvements	10% to 20%
Office equipment	19% to 32%
Vehicles	19%

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Leases

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

As a lessee

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

(a) Right-of-use assets

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

Leased properties	20 years
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If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for termination of a lease, if the lease term reflects the Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

(b) Lease liabilities (Continued)

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach

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

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 or 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables)

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at amortised cost (trade and other payables) (Continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) The costs are expected to be recovered.

The capitalised contract costs are charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which asset relates.

An impairment loss is recognised in profit or loss to the extent that the carrying amount of contract fulfilment costs exceeds:

- (a) the remaining amount of consideration expected to receive in exchange for the goods or services to which the contract cost relates; less
- (b) The cost that relate directly to providing those goods or services and that have not been recognised as expenses.

Cash and cash equivalents

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

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

Provisions

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

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

Income tax

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

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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

(a) Testing services

The Company performs testing services for foundation, building structure, construction materials, infrastructure and public roads and food and agricultural products. The performance obligation is satisfied upon completion of the promised services.

(b) Inspection services

The Company provides inspection services for slope and foundation pit. Such services are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Revenue is recognised for these services based on the stage of completion of the contract using output method.

Other income

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

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

Other employee benefits

Pension scheme

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

The costs of employee retirement benefits are recognised as expenses in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Events after the reporting period

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

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Dividends

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

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

Notes to the Financial Statements

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected losses of financial assets

The loss allowances for financial assets are based on assumptions about expected credit loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's historical observed default, customers' profile, credit risks, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 17 to the financial statements.

Notes to the Financial Statements

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases — Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available.

4. OPERATING SEGMENT INFORMATION

The Company’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the general manager of the Company. As a result of this evaluation, the CODM considers that the Company’s operations are operated and managed as a single segment. Accordingly, no segment information is presented.

During the year, the operations of the Company were domiciled in the PRC and the Company’s revenue was attributable to the market in the PRC.

As at 31 December 2024 and 2023, the Company’s non-current assets were all located in the PRC.

Information about a major customer

Revenue of approximately RMB12,817,000 (2023: RMB4,470,000) was derived from rendering services to a single customer, representing 23.2% (2023: 10.8%) of the revenue for the year ended 31 December 2024.

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers:	<u>55,260</u>	<u>41,500</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

	RMB'000
Types of services	
Testing services	49,589
Inspection services	<u>5,671</u>
Total	<u>55,260</u>
Geographical market	
Mainland China	<u>55,260</u>
Timing of revenue recognition	
Services transferred at a point in time	49,589
Services transferred over time	<u>5,671</u>
Total	<u>55,260</u>

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2023

	RMB'000
Types of services	
Testing services	36,026
Inspection services	<u>5,474</u>
Total	<u><u>41,500</u></u>
Geographical market	
Mainland China	<u><u>41,500</u></u>
Timing of revenue recognition	
Services transferred at a point in time	36,026
Services transferred over time	<u>5,474</u>
Total	<u><u>41,500</u></u>

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Testing services	<u>1,394</u>	<u>1,060</u>

(b) Performance obligations

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

Testing services

The performance obligation is satisfied upon completion of the promised services and payment is generally due within 90 to 180 days from completion, except for some major customers with longer credit terms.

Inspection services

Revenue is recognised for these services based on the stage of completion of the contract using output method and payment is generally due within 90 to 180 days from completion, except for some major customers with longer credit terms.

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

At 31 December 2024 and 2023, the unsatisfied performance obligations were part of the contracts that had an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

	2024 RMB'000	2023 RMB'000
Other income		
Government subsidy (<i>note</i>)	3,031	24
Bank interest income	395	70
Other interest income	10	258
Others	233	338
	<u>3,669</u>	<u>690</u>
Gains		
Foreign exchange differences, net	2,011	—
Gain on disposal of items of right-of-use assets	148	—
	<u>2,159</u>	<u>—</u>
	<u>5,828</u>	<u>690</u>

Note: There are no unfulfilled conditions or contingencies relating to the subsidy.

Notes to the Financial Statements

31 December 2024

6. PROFIT BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Costs of services provided*	20,153	11,719
Depreciation and amortisation	4,725	1,891
Auditor's remuneration	736	—
Listing fees	2,723	1,779
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	10,402	7,568
Performance related bonuses	2,190	710
Pension scheme contributions (defined contribution plans, housing funds, medical insurances and other social insurances)**	3,617	3,301
Other employee benefits	374	470
	<u>16,583</u>	<u>12,049</u>
Foreign exchange differences, net (Reversal)/Impairment of trade receivables	(2,011) (550)	24 1,402
Impairment of financial assets included in prepayments and other receivables	(1)	(85)
(Gain)/loss on disposal of items of right-of-use assets	(148)	869
Loss on disposal of items of property, plant and equipment	—	38
	<u> </u>	<u> </u>

* Included depreciation and amortisation.

** There are no forfeited contributions that may be used by the Company as the employer to reduce the existing level of contributions.

Notes to the Financial Statements

31 December 2024

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	1,212	219

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2024 RMB'000	2023 RMB'000
Fees	348	—
Other emoluments:		
Wages and salaries	695	632
Performance related bonuses	608	54
Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	311	320
Other employee benefits	41	59
	2,003	1,065

Notes to the Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Ms. Liu Hongge	116	—
Ms. Deng Dian	116	—
Mr. Luo Qiling	116	—
	<u>348</u>	<u>—</u>

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

Notes to the Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

	Wages, salaries and bonuses RMB'000	Performance related bonuses RMB'000	Pension costs – defined contribution plans, housing funds, medical insurances and other social insurances RMB'000	Other employee benefits RMB'000	Total RMB'000
2024					
Executive directors:					
Mr. Lai Feng* (i)	155	187	73	10	425
Ms. Mai Jiayu (i)	141	129	58	9	337
Mr. Huang Fei (ii)	139	134	66	6	345
Mr. Zhang Xihua (ii)	141	119	59	9	328
Subtotal	576	569	256	34	1,435
Non-executive directors:					
Ms. Zou Chan (i)	121	37	55	7	220
Mr. Chen Guangfu (iii)	–	–	–	–	–
Subtotal	121	37	55	7	220
	<u>697</u>	<u>606</u>	<u>311</u>	<u>41</u>	<u>1,655</u>

Notes to the Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, a non-executive director and the chief executive (Continued)

	Wages, salaries and bonuses RMB'000	Performance related bonuses RMB'000	Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances RMB'000	Other employee benefits RMB'000	Total RMB'000
2023					
Executive directors:					
Mr. Lai Feng*	142	14	71	17	244
Ms. Mai Jiayu	118	13	61	10	202
Mr. Huang Fei	127	14	69	15	225
Mr. Zhang Xihua	118	13	60	8	199
Subtotal	505	54	261	50	870
Non-executive directors:					
Ms. Zou Chan (i)	116	11	59	9	195
Mr. Chen Guangfu	—	—	—	—	—
Subtotal	127	—	59	9	195
	632	54	320	59	1,065

* The Chief executive

Notes:

- (i) Mr. Lai Feng, Ms. Mai Jiayu and Ms. Zou Chan were appointed as directors since 7 July 2023.
- (ii) Mr. Huang Fei and Mr. Zhang Xihua were appointed as directors since 26 October 2023.
- (iii) Mr. Chen Guangfu was appointed as director since 26 October 2023. The emoluments of the Mr. Chen Guangfu in relation to his services rendered for the Company since his appointment were borne by the immediate holding company of the Company. His emoluments were not allocated to the Company as the management of the Company considers there is no reasonable basis of allocation.

Notes to the Financial Statements

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, a non-executive director and the chief executive (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2023: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2023: two) highest paid employees who is neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Wages, salaries and bonuses	523	276
Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	68	126
Other employee benefits	4	25
	<u>595</u>	<u>427</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	2024	2023
Emoluments bands (in Hong Kong Dollars ("HKD"))		
Nil to HKD500,000	—	2
HKD500,000 to HKD1,000,000	1	—
	<u>1</u>	<u>2</u>

Notes to the Financial Statements

31 December 2024

10. INCOME TAX

The Company was incorporated in the PRC. Corporate income tax ("CIT") was made on the estimated assessable profits of the Company and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate was 25% during the year.

	2024 RMB'000	2023 RMB'000
Current		
Provision for the year	4,860	5,058
Under provision in prior years	418	—
Deferred (<i>note 22</i>)	5,278 741	5,058 (578)
	<u>6,019</u>	<u>4,480</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Company is domiciled to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	<u>22,316</u>	<u>17,734</u>
Tax at the statutory tax rate	5,579	4,434
Expenses not deductible for tax	173	46
Adjustments in respect of current tax of previous periods	418	—
Additional tax deduction for qualified research and development expenses	(151)	—
Tax charge at the Company's effective tax rate	<u>6,019</u>	<u>4,480</u>

Notes to the Financial Statements

31 December 2024

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final — RMB0.15 (2023: Nil) per ordinary share	<u>5,089</u>	<u>—</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 26,920,508 (2023: 20,575,342) outstanding during the year.

The calculations of basic and diluted earnings per share are based on:

	2024	2023
Profit for the year attributable to owners of the Company (RMB'000)	16,297	13,254
Weighted average number of ordinary shares outstanding	<u>26,920,508</u>	<u>20,575,342</u>
Basic and diluted earnings per share (in RMB)	<u>0.61</u>	<u>0.64</u>

No adjustments has been made to the basic earnings per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the Company has no potentially dilutive ordinary shares outstanding during the years.

Notes to the Financial Statements

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery equipment RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024					
Cost	10,179	534	965	1,389	13,067
Accumulated depreciation	(7,140)	(154)	(663)	(885)	(8,842)
Net carrying amount	<u>3,039</u>	<u>380</u>	<u>302</u>	<u>504</u>	<u>4,225</u>
At 1 January 2024, net of accumulated depreciation	3,039	380	302	504	4,225
Additions	18,574	2,831	1,705	298	23,408
Depreciation provided during the year*	(2,441)	(459)	(213)	(139)	(3,252)
At 31 December 2024, net of accumulated depreciation	<u>19,172</u>	<u>2,752</u>	<u>1,794</u>	<u>663</u>	<u>24,381</u>
At 31 December 2024					
Cost	28,753	3,365	2,670	1,687	36,475
Accumulated depreciation	(9,581)	(613)	(876)	(1,024)	(12,094)
Net carrying amount	<u>19,172</u>	<u>2,752</u>	<u>1,794</u>	<u>663</u>	<u>24,381</u>

Notes to the Financial Statements

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery equipment RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023					
Cost	9,826	1,156	850	1,126	12,958
Accumulated depreciation	(6,231)	(578)	(517)	(820)	(8,146)
Net carrying amount	<u>3,595</u>	<u>578</u>	<u>333</u>	<u>306</u>	<u>4,812</u>
At 1 January 2023, net of accumulated depreciation	3,595	578	333	306	4,812
Additions	398	—	130	263	791
Disposals	(1)	(37)	—	—	(38)
Depreciation provided during the year*	(953)	(161)	(161)	(65)	(1,340)
At 31 December 2023, net of accumulated depreciation	<u>3,039</u>	<u>380</u>	<u>302</u>	<u>504</u>	<u>4,225</u>
At 31 December 2023					
Cost	10,179	534	965	1,389	13,067
Accumulated depreciation	(7,140)	(154)	(663)	(885)	(8,842)
Net carrying amount	<u>3,039</u>	<u>380</u>	<u>302</u>	<u>504</u>	<u>4,225</u>

* Depreciation of RMB195,000 was capitalised in contract fulfilment cost during the year ended 31 December 2024 (2023: RMB266,000).

Depreciation has been charged to the following categories in the statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Costs of sales	2,375	877
Administrative expenses	558	196
Research and development expenses	4	1
	<u>3,057</u>	<u>1,074</u>

Notes to the Financial Statements

31 December 2024

14. LEASES

The Company as a lessee

The Company has a lease contract of a property, with lease terms of 20 years.

(a) *Right-of-use assets*

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

	Land use rights RMB'000	Lease properties RMB'000	Total RMB'000
As at 1 January 2023	933	2,041	2,974
Depreciation charge*	(64)	(353)	(417)
Termination of the lease	(869)	—	(869)
As at 31 December 2023 and 1 January 2024	—	1,688	1,688
Additions	—	40,167	40,167
Depreciation charge*	—	(1,653)	(1,653)
Termination of the lease	—	(1,541)	(1,541)
As at 31 December 2024	—	38,661	38,661

* Depreciation of RMB36,000 was capitalised in contract fulfilment cost during the year ended 31 December 2024 (2023:Nil).

Notes to the Financial Statements

31 December 2024

14. LEASES (Continued)

The Company as a lessee (Continued)

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	2,002	6,479
New leases	39,766	—
Accretion of interest recognised during the year	1,212	219
Payments	(1,730)	(782)
Termination of lease	(1,689)	(3,914)
Carrying amount at 31 December	<u>39,561</u>	<u>2,002</u>
Analysed into:		
Current portion	1,219	508
Non-current portion	<u>38,342</u>	<u>1,494</u>

The maturity analysis of lease liabilities is disclosed in note 31 to the financial statements.

In July 2016, the Company subleased certain land use right with a remaining lease term of 16.2 years to a third party. In August 2023, the Company entered a termination agreement for the aforementioned land use right with the lessor in the head lease and the lessee in the sublease. Upon the termination, the Company derecognised right-of-use assets of RMB869,000, lease liabilities of RMB3,914,000, and lease payments receivable of RMB3,914,000. A loss amounting to RMB869,000 was recognised as other losses due to such early termination of the lease.

In August 2024, the Company terminated the lease agreement for two properties used for office. Upon the termination, the Company derecognised right-of-use assets of RMB1,541,000 and lease liabilities of RMB1,689,000. A gain amounting to RMB148,000 was recognised as other gain due to such early termination of the lease.

Notes to the Financial Statements

31 December 2024

14. LEASES (Continued)

The Company as a lessee (Continued)

(c) The amounts recognised in the statement of profit or loss and other comprehensive income in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charged to administrative expenses	825	203
Depreciation charged to cost of sales	723	214
Depreciation charged to research and development expenses	69	—
Total depreciation charge of right-of-use assets	1,617	417
Interest expenses	1,212	219
(Gain)/loss on disposal of items of right-of-use assets	(148)	869

(d) The total cash outflow for leases is disclosed in note 25(b) to the financial statements.

Notes to the Financial Statements

31 December 2024

15. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	116
Additions	441
Amortisation provided during the year*	<u>(55)</u>
At 31 December 2024	<u>502</u>
At 31 December 2024	
Cost	711
Accumulated amortisation	<u>(209)</u>
Net carrying amount	<u>502</u>
31 December 2023	
At 1 January 2023:	
Cost	214
Accumulated amortisation	<u>(145)</u>
Net carrying amount	<u>69</u>
Cost at 1 January 2023, net of accumulated amortisation	69
Additions	57
Amortisation provided during the year*	<u>(10)</u>
At 31 December 2023	<u>116</u>
At 31 December 2023 and at 1 January 2024:	
Cost	271
Accumulated amortisation	<u>(155)</u>
Net carrying amount	<u>116</u>

* Depreciation of RMB4,000 was capitalised in contract fulfilment cost during the year ended 31 December 2024 (2023: RMB2,000).

Notes to the Financial Statements

31 December 2024

15. OTHER INTANGIBLE ASSETS (Continued)

Amortisation has been charged to the following categories in the statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Costs of sales	28	8
Administrative expenses	23	—
	<u>51</u>	<u>8</u>

16. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	105	—
Contract fulfilment costs (<i>note</i>)	2,878	1,390
	<u>2,983</u>	<u>1,390</u>

Note:

As at 31 December 2024 and 2023, the balance of contract fulfilment costs represents the asset recognised in relation to costs to fulfil contracts for testing services.

Notes to the Financial Statements

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17. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	59,927	41,165
Impairment	(11,290)	(11,840)
	<u>48,637</u>	<u>29,325</u>

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 180 days, and certain major customers have longer credit period. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. As at 31 December 2024, the Company had certain concentration of credit risk as 23.3% (2023: 15.6%) and 45.7% (2023: 33.8%) of the Company's trade receivables were due from the top 1 customer and top 5 customers, respectively. Trade receivables are non-interest-bearing.

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

	2024 RMB'000	2023 RMB'000
Within 1 year	35,899	25,372
1 to 2 years	11,785	2,702
2 to 3 years	590	871
3 to 4 years	288	380
Over 4 years	75	–
	<u>48,637</u>	<u>29,325</u>

Notes to the Financial Statements

31 December 2024

17. TRADE RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
At beginning of year	11,840	10,438
(Reversal of impairment)/impairment losses (note 6)	(550)	1,402
At end of year	11,290	11,840

An impairment analysis is performed at each reporting date to measure expected credit losses.

As at 31 December 2024 and 2023, the expected loss rate for certain customers who were in bankruptcy, liquidation, insolvency or in other situations with different risk are assessed individually by the directors as follows:

	2024	2023
Expected credit loss rates	100%	100%
Gross carrying amount (RMB'000)	5,143	9,094
Loss allowance provision (RMB'000)	5,143	9,061

Except for the trade receivables assessed individually, the provision rates are based on ageing of trade receivables for groupings of various customer categories with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the Financial Statements

31 December 2024

17. TRADE RECEIVABLES (Continued)

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

As at 31 December 2024

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	7.42%	15.50%	30.39%	58.08%	85.66%	100.00%	11.22%
Gross carrying amount (RMB'000)	<u>38,774</u>	<u>13,948</u>	<u>849</u>	<u>687</u>	<u>523</u>	<u>3</u>	<u>54,784</u>
Expected credit losses (RMB'000)	<u>2,877</u>	<u>2,162</u>	<u>258</u>	<u>399</u>	<u>448</u>	<u>3</u>	<u>6,147</u>

As at 31 December 2023

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Expected credit loss rate	7.12%	13.25%	19.58%	35.34%	100.00%	8.67%
Gross carrying amount (RMB'000)	<u>27,307</u>	<u>3,102</u>	<u>1,083</u>	<u>566</u>	<u>13</u>	<u>32,071</u>
Expected credit losses (RMB'000)	<u>1,943</u>	<u>411</u>	<u>212</u>	<u>200</u>	<u>13</u>	<u>2,779</u>

Notes to the Financial Statements

31 December 2024

18. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments	3,587	3,815
Deposits and other receivables	4,703	1,107
Deferred listing expenses	—	15,544
	<u>8,290</u>	<u>20,466</u>
Impairment allowance	(564)	(565)
	<u>7,726</u>	<u>19,901</u>
Less: non-current portion	(1,680)	(3,025)
	<u>6,046</u>	<u>16,876</u>

Deposits and other receivables mainly represent a government subsidy receivable and deposits with suppliers. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Company. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2024 and 2023, except for the defaulted receivables of RMB564,000 (2023: RMB565,000), the Company assessed the expected loss rate for the remaining receivables to be minimal.

Notes to the Financial Statements

31 December 2024

19. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	109,856	59,145
Less: Time deposits	(10,000)	—
Cash and cash equivalents	<u>99,856</u>	<u>59,145</u>

At the end of the reporting period, the cash and bank balances of the Company denominated in Renminbi ("RMB") and Hong Kong dollar ("HK\$") amounted to RMB99,471,000 (2023: RMB59,145,000) and RMB385,000 (2023: Nil), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. TRADE PAYABLES

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

	2024 RMB'000	2023 RMB'000
Within 1 year	4,831	489
1 to 2 years	—	123
	<u>4,831</u>	<u>612</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

Notes to the Financial Statements

31 December 2024

21. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Salaries and welfare payables	2,836	998
Contract liabilities (<i>note a</i>)	463	1,394
Other taxes payables	636	1,655
Listing expenses payables	—	5,661
Payables for property, plant and equipment	3,029	—
Other payables (<i>note b</i>)	3,366	656
	<u>10,330</u>	<u>10,364</u>

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers			
Testing services	<u>463</u>	<u>1,394</u>	<u>1,060</u>

Contract liabilities include short-term advances received to render testing services.

(b) Other payables are non-interest-bearing and payable within 12 months.

Notes to the Financial Statements

31 December 2024

22. DEFERRED TAX

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

Deferred tax liabilities

	2024			
	Right-of-use assets RMB'000	Government subsidy RMB'000	Lease payments receivables RMB'000	Total RMB'000
At 1 January 2024	(422)	—	(140)	(562)
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(9,243)	(750)	—	(9,993)
Gross deferred tax liabilities at 31 December 2024	<u>(9,665)</u>	<u>(750)</u>	<u>(140)</u>	<u>(10,555)</u>

Deferred tax assets

	2024		
	Provision for credit loss of trade receivables and other receivables RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2024	3,101	501	3,602
Deferred tax (charged)/credited to profit or loss during the year (<i>note 10</i>)	(137)	9,389	9,252
Gross deferred tax assets at 31 December 2024	<u>2,964</u>	<u>9,890</u>	<u>12,854</u>

Notes to the Financial Statements

31 December 2024

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	2023		
	Right-of-use assets RMB'000	Lease payments receivables RMB'000	Total RMB'000
At 1 January 2023	(743)	(1,187)	(1,930)
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	<u>321</u>	<u>1,047</u>	<u>1,368</u>
Gross deferred tax liabilities recognised in the statement of financial position at 31 December 2023	<u>(422)</u>	<u>(140)</u>	<u>(562)</u>

Deferred tax assets

	2023		
	Provision for credit loss of trade receivables and other receivables RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2023	2,772	1,620	4,392
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	<u>329</u>	<u>(1,119)</u>	<u>(790)</u>
Gross deferred tax assets at 31 December 2023	<u>3,101</u>	<u>501</u>	<u>3,602</u>

Notes to the Financial Statements

31 December 2024

22. DEFERRED TAX (Continued)

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

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the statement of financial position	<u>2,299</u>	<u>3,040</u>

23. SHARE CAPITAL

Shares

	2024 RMB'000	2023 RMB'000
Issued and fully paid: 33,929,000 (2023: 23,750,000) ordinary shares	<u>33,929</u>	<u>23,750</u>

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2023	—	—
Conversion into a joint stock company (<i>note a</i>)	20,000	20,000
Capital contribution from a shareholder (<i>note a</i>)	<u>3,750</u>	<u>3,750</u>
At 31 December 2023 and 1 January 2024	23,750	23,750
Issuance of ordinary shares (<i>note b</i>)	<u>10,179</u>	<u>10,179</u>
At 31 December 2024	<u>33,929</u>	<u>33,929</u>

Notes to the Financial Statements

31 December 2024

23. SHARE CAPITAL (Continued)

Notes:

- (a) The explanatory notes for the movements of the Company's share capital for the year ended 31 December 2023 are presented in the statement of changes in equity on pages 156.
- (b) In connection with the initial public offering, 10,179,000 ordinary shares of a par value of RMB1.00 each were issued at a price of HK\$9.90 per share at a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK\$100,772,000 (approximately RMB91,760,000).

24. RESERVES

The amounts of the Company's reserves and the movements therein for the current and prior years are presented in the statement of changes in equity on pages 155 to 156.

25. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2024, the Company had non-cash additions to right-of-use assets and lease liabilities of RMB40,167,000 and RMB39,766,000, respectively, in respect of lease arrangements for buildings.

For the year ended 31 December 2023, the lease payments for the subleased land use right of RMB396,000 was directly transferred to the lessor in the head lease by the lessee of sublease. Such transaction was accounted for as non-cash transaction as neither investing cash flows in relation to the receipt of the lease payments receivable in the sublease were generated nor financing cash flows in relation to the payments of the lease liabilities in the head lease were incurred by the Company.

Notes to the Financial Statements

31 December 2024

25. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

2024

	Lease liabilities RMB'000
At 1 January 2024	(2,002)
Changes from financing cash flows	1,730
New leases	(39,766)
Interest expense	(1,212)
Termination of the lease	1,689
At 31 December 2024	<u>(39,561)</u>

2023

	Lease liabilities RMB'000
At 1 January 2023	(6,479)
Changes from financing cash flows	386
Interest expense	(219)
Termination of the lease	3,914
Non-cash transactions (<i>note 25(a)</i>)	396
At 31 December 2023	<u>(2,002)</u>

26. CONTINGENT LIABILITIES

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

27. COMMITMENTS

(a) The Company had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Buildings	721	—
Equipment	614	4,439
	<u>1,335</u>	<u>4,439</u>

Notes to the Financial Statements

31 December 2024

28. RELATED PARTY TRANSACTIONS

The following is a summary of the transactions carried out between the Company and its related parties during the year ended 31 December 2024 and 2023, and balances with related parties as at 31 December 2024 and 2023.

(a) The following companies are related parties of the Company that had significant balances and/or transactions with the Company as at/or during the year.

Name	Relationship
Xinyi City Construction Engineering Quality and Safety Affairs Center	Immediate holding company
Xinyi Market Supervision and Administration Bureau	PRC government administrative bureau
Xinyi City Bureau of Housing and Urban-Rural Development	PRC government administrative bureau
Xinyi Education Bureau	PRC government administrative bureau
Xinyi Municipal Civil Affairs Bureau	PRC government administrative bureau
Boshang Village Committee, Chashan Town, Xinyi City	PRC government administrative bureau
Xinyi Municipal Bureau of Culture, Radio, Television, Tourism and Sports	PRC government administrative bureau
Huazhou Municipal Bureau of Urban Management and Comprehensive Law Enforcement	PRC government administrative bureau
Xinyi Municipal Bureau of Natural Resources	PRC government administrative bureau
Xinyi Municipal Health Bureau	PRC government administrative bureau
Pingtang Town People's Government of Xinyi City	PRC government administrative bureau
Xinyi Municipal Bureau of Agriculture and Rural Affairs	PRC government administrative bureau
Gaozhou City Construction Affairs Center	Entity controlled by PRC government
Xinyi Municipal Government Investment Project Construction Center	Entity controlled by PRC government
Xinyi City Urban Comprehensive Investment Development Co., Ltd.	Entity controlled by PRC government
Guangzhou Municipal Government Group Co., Ltd. Maoming Branch	Entity controlled by PRC government
Xinyi Xinjian Urban and Transportation Investment Development Co., Ltd.	Entity controlled by PRC government
Xinyi Xinye Industry and Industrial Park Investment Co., Ltd	Entity controlled by PRC government
Xinyi City Xinhua Agriculture, Culture and Tourism Investment and Development Co., Ltd.	Entity controlled by PRC government

Notes to the Financial Statements

31 December 2024

28. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following companies are related parties of the Company that had significant balances and/or transactions with the Company as at/or during the year. (Continued)

Name	Relationship
Xinyi People's Hospital	Entity controlled by PRC government
Xinyi Huaixiang Town Central Kindergarten	Entity controlled by PRC government
Xinyi Yunshui Water Service Co., Ltd.	Entity controlled by PRC government
Xinyi Qianpai Town Central Kindergarten	Entity controlled by PRC government
Guangzhou Municipal Affairs Group Limited	Entity controlled by PRC government

Notes to the Financial Statements

31 December 2024

28. RELATED PARTY TRANSACTIONS (Continued)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
Addition of right-of-use assets from an entity controlled by PRC government	<i>(i)</i>	40,167	—
Interest expenses on lease liabilities to:			
An entity controlled by PRC government	<i>(i)</i>	1,157	—
PRC government administrative bureaus		55	96
Interest income on other receivables from an entity controlled by PRC government	<i>(iv)</i>	—	258
Rendering of services to:			
Immediate holding company	<i>(ii)</i>	57	85
PRC government administrative bureaus and entities controlled by the PRC Government	<i>(iii)</i>	18,469	15,600

Notes to the Financial Statements

31 December 2024

28. RELATED PARTY TRANSACTIONS (Continued)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year: (Continued)

Notes:

- (i) In April 2024, the Company entered into a lease agreement with Xinyi Xinye Industry and Industrial Park Investment Co., Ltd, with a lease term of 20 years from April 2024. The leased properties are used for offices and laboratories.
- (ii) The Company provided testing services to the immediate holding company. The transaction price of the services is determined with reference to the prevailing market prices.
- (iii) The Company provided testing services and inspection services to certain PRC government administrative bureaus and entities controlled by the PRC Government. The transaction price of the services is determined with reference to the prevailing market prices.
- (iv) A loan with principal of RMB3,750,000 and a loan with principal of RMB4,100,000 were granted to the constructor of the new office building of the Company in January 2023 and March 2023, respectively. The loans are unsecured and bearing interest of 4.35% per annum. The loan interest inclusive of the related tax for the year ended 31 December 2023 amounted to RMB258,000. In December 2023, the loans and interest were fully repaid.

Included in the item (iii) of the related party transactions above amounting to RMB2.42 million are also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

Notes to the Financial Statements

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28. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	Notes	2024 RMB'000	2023 RMB'000
Lease liabilities to PRC government administrative bureaus	(i)	—	(2,002)
Lease liabilities to an entity controlled by PRC government	(i)	(39,561)	—
Trade receivables from immediate holding company	(i)/(ii)	31	2
Trade receivables from PRC government administrative bureaus and entities controlled by the PRC Government	(i)/(ii)	34,755	11,800
Contract liabilities from entities controlled by the PRC Government	(i)/(ii)	(125)	—
Prepayments from entities controlled by the PRC Government	(i)/(ii)/(iii)	—	2,798

Notes:

- (i) The balances of lease liabilities, trade receivables, contract liabilities and prepayments were trade in nature and unsecured.
- (ii) The balances of trade receivables, contract liabilities and prepayments were interest free.
- (iii) As at 31 December 2023, the balances was a prepayment for the purchase of equipments.

(d) Compensation of key management personnel of the Company:

	2024 RMB'000	2023 RMB'000
Short term employee benefits	2,664	1,337

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

Notes to the Financial Statements

31 December 2024

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	48,637
Financial assets included in prepayments and other receivables	4,139
Time deposits	10,000
Cash and cash equivalents	99,856
	<u>162,632</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	4,831
Financial liabilities included in other payables and accruals (note 21)	6,395
Lease liabilities	39,561
	<u>50,787</u>

Notes to the Financial Statements

31 December 2024

29. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	29,325
Financial assets included in prepayments and other receivables	542
Cash and cash equivalents	<u>59,145</u>
	<u>89,012</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	612
Financial liabilities included in other payables and accruals (note 21)	6,317
Lease liabilities	<u>2,002</u>
	<u>8,931</u>

Notes to the Financial Statements

31 December 2024

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Company's financial instruments including trade receivables, cash and cash equivalents. Other receivables, trade payables and other payables are measured at amortised cost in the balance sheet.

Management has assessed that the fair values of cash and cash equivalents, time deposits, trade receivables, trade payables, current portion of financial assets included in prepayments and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

Notes to the Financial Statements

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30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

	Carrying amounts		Fair values	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Financial assets				
Other receivables, non-current portion	<u>352</u>	<u>—</u>	<u>352</u>	<u>—</u>

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2024 and as at 31 December 2023.

Assets for which fair values are disclosed:

As at 31 December 2024	Fair value measurement using			Total RMB'000
	Quoted prices in active markets RMB'000	Significant observable inputs RMB'000	Significant unobservable inputs RMB'000	
Other receivables, non- current portion	<u>—</u>	<u>352</u>	<u>—</u>	<u>352</u>

The Company did not have any financial liabilities disclosed at fair value as at 31 December 2024 and as at 31 December 2023.

Notes to the Financial Statements

31 December 2024

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from purchases of certain services by the Company, certain payables and cash and cash equivalent held in currencies other than the Company's functional currencies.

The foreign exchange risk mainly arises from the exposure of RMB against Hong Kong dollars ("HKD") and United State dollars ("USD") for certain other payables for listing expenses. No other payables for listing expenses was denominated in HKD as at 31 December 2024 (2023: RMB4,371,000) and no other payables for listing expenses was denominated in USD as at 31 December 2024 (2023: RMB196,000).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Company's profit after tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit after tax RMB'000
2024		
If the HKD weakens against the RMB	5	7
If the HKD strengthens against the RMB	5	(7)
2023		
If the HKD and USD weakens against the RMB	5	171
If the HKD and USD strengthens against the RMB	5	(171)

Notes to the Financial Statements

31 December 2024

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	59,927	59,927
Financial assets included in prepayments and other receivables					
— Normal**	4,144	—	—	—	4,144
— Doubtful**	—	—	559	—	559
Time deposits	10,000	—	—	—	10,000
Cash and cash equivalent	99,856	—	—	—	99,856
	<u>114,000</u>	<u>—</u>	<u>559</u>	<u>59,927</u>	<u>174,486</u>

Notes to the Financial Statements

31 December 2024

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month	Lifetime ECLs			Simplified approach RMB'000	Total RMB'000
	ECLs	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	41,165	41,165	
Financial assets included in prepayments and other receivables						
— Normal**	548	—	—	—	548	
— Doubtful**	—	—	559	—	559	
Cash and cash equivalent	59,145	—	—	—	59,145	
	<u>59,693</u>	<u>—</u>	<u>559</u>	<u>41,165</u>	<u>101,417</u>	

* For trade receivables to which the Company applies the simplified approach for impairment, information of the impairment analysis is disclosed in note 17 to the financial statements.

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

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty.

Notes to the Financial Statements

31 December 2024

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through lease liabilities.

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

2024

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	5 to 10 years RMB'000	Over 10 years RMB'000	Total RMB'000
Trade payables	4,831	—	—	—	—	4,831
Financial liabilities included in other payables and accruals	6,395	—	—	—	—	6,395
Lease liabilities (including interests to be paid)	2,724	2,724	8,275	11,442	31,500	56,665
	<u>13,950</u>	<u>2,724</u>	<u>8,275</u>	<u>11,442</u>	<u>31,500</u>	<u>67,891</u>

2023

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	5 to 10 years RMB'000	Over 10 years RMB'000	Total RMB'000
Trade payables	612	—	—	—	—	612
Financial liabilities included in other payables and accruals	6,317	—	—	—	—	6,317
Lease liabilities (including interests to be paid)	588	411	1,164	65	—	2,228
	<u>7,517</u>	<u>411</u>	<u>1,164</u>	<u>65</u>	<u>—</u>	<u>9,157</u>

Notes to the Financial Statements

31 December 2024

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, and certain other payables and accruals, less cash and cash equivalents. Capital includes equity. The net surplus as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Trade payables	4,831	612
Other payables and accruals	9,867	8,970
Less: Cash and cash equivalents	(99,856)	(59,145)
Net surplus	(85,158)	(49,563)
Equity attributable to owners of the Company	178,789	102,585

Notes to the Financial Statements

31 December 2024

32. COMPARATIVE AMOUNTS

Reclassification has been made to certain comparative figures as the Company believes the revised classification could provide better presentation to the users of the financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2025.

Four Years Financial Summary

Set out below is a summary of the results and the assets and liabilities of the Group for the last four financial years as extracted from this annual report and the audited financial statements in the Prospectus of the Company dated 26 August 2024:

	Results			
	Year ended 31 December			
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Revenue	39,781	19,966	41,500	55,260
Cost of sales	9,605	8,472	11,719	20,153
Gross profit	30,176	11,494	29,781	35,107
Other income and gains	548	417	620	5,423
Administrative expenses	4,726	6,383	10,157	17,262
Profit before tax	23,723	3,951	17,734	22,316
Income tax expense	5,986	1,039	4,480	6,019
Profit and total comprehensive income for the year	<u>17,737</u>	<u>2,912</u>	<u>13,254</u>	<u>16,297</u>
	Assets and liabilities			
	As at 31 December			
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Total assets	85,734	84,410	118,830	235,045
Total liabilities	18,746	15,079	16,245	56,256
Total equity	<u>66,988</u>	<u>69,331</u>	<u>102,585</u>	<u>178,789</u>