



GLOBAL NEW MATERIAL
INTERNATIONAL HOLDINGS LIMITED
环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 06616

A N N U A L
R E P O R T
2024



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr SU Ertian (*Chairman and Chief Executive Officer*)
Mr JIN Zengqin
Mr ZHOU Fangchao (*Joint company secretary*)
Mr BAI Zhihuan
Ms ZENG Zhu
Mr LIM Kwang Su (*appointed on 26 September 2024*)

Non-executive Directors

Mr HU Yongxiang

Independent non-executive Directors

Mr HUI Chi Fung
Professor HAN Gaorong
Mr LEUNG Kwai Wah Alex
Professor CHEN Fadong
(*appointed on 26 September 2024*)

AUDIT COMMITTEE

Mr HUI Chi Fung (*Chairman*)
Professor HAN Gaorong
Mr LEUNG Kwai Wah Alex

REMUNERATION COMMITTEE

Mr LEUNG Kwai Wah Alex (*Chairman*)
Professor HAN Gaorong
Mr ZHOU Fangchao

NOMINATION COMMITTEE

Mr SU Ertian (*Chairman*)
Professor HAN Gaorong
Mr HUI Chi Fung

JOINT COMPANY SECRETARIES

Mr ZHOU Fangchao
Ms CHEUNG Ka Lun Karen

AUDITOR

RSM Hong Kong
Certified Public Accountants
(*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*)

PRINCIPAL BANKERS

In Hong Kong, China:
Citibank (Hong Kong) Limited

In the Mainland China:
Bank of Liuzhou Co., Ltd.
Liuzhou Urban Rural Credit Cooperative Union

In the Republic of Korea:
Shinhan Bank Chungbuk Retail Banking Center

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG, CHINA

Room 2703, 27/F, China Resources Building
26 Harbour Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE MAINLAND CHINA

Pearlescent Industrial Park
No. 380, Feilu Road
Luzhai Town, Luzhai County
Liuzhou City
Guangxi Zhuang Autonomous Region
PRC

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.chesir.com

STOCK CODE

06616

CHAIRMAN'S STATEMENT

Dear investors and friends:

Thank you for your long term trust and support to Global New Material International!

The year 2024 was a crucial year for Global New Material International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Global New Material International**") to fulfill its "internationalisation and corporatisation" operational plan. During the year, in the face of an increasingly complex and intricate international and domestic environment, the management has firmly maintained its confidence in development and strategic resolve. With "materials" as the core and "innovation" as the driving force, the Group has built a full-scenario application ecosystem covering "industry, consumption, and future technology" around the three core areas of "green manufacturing, advanced materials, and intelligent applications", enabling materials to empower a better future. The development of the Group has braved the wind and waves, forged ahead with fortitude, and continued its high-quality development trend.

During the year ended 31 December 2024 (the "**FY2024**"), Global New Material International effectively sustained its "stable" momentum.

The three major indicators of revenue, net profit and cash flow were stable and improving. We have always insisted on being market-oriented and customer-focused, and have achieved remarkable market expansion results in the fields of high-end pearlescent materials, synthetic mica and new energy materials. The excellent product quality and high - quality services have enabled the Company to achieve robust performance growth in both domestic and international markets.

In the FY2024, the pace of "progression" of the Group was firm and strong.

The pace of "progression" is embodied in the cultivation and expansion of production capacity. With the accelerated advancement of high-end production capacity layout upstream and downstream, a number of major projects have been successfully implemented, further extending our industrial chain and cultivating and expanding our production capacity. The Phase 2 Pearlescent Material Plant of Guangxi Chesir Pearl Material Co., Ltd ("**Chesir Pearl**") with an annual production capacity of 30,000 tonnes of pearlescent materials, has officially commenced production, the construction of the project with an annual production capacity of 100,000 tonnes of synthetic mica-based products in Tonglu, Hangzhou (the "**Tonglu Project**") has also been successfully launched, and the Shenzhen office has been formally opened. The putting into production and launching of these projects mark significant progress in the cultivation and expansion of the Group production capacity.

The pace of "progression" is embodied in the successful implementation of the strategy of "Outward Expansion (外延式擴張)". On 25 July 2024, the Company has entered into an agreement with, among others, Merck KGaA in relation to the proposed acquisition (the "**Proposed Transaction**") of a worldwide global surface solutions business (the "**Global Surface Solutions Business**"). This proposed strategic acquisition will not only bring us new technologies and market resources, but also drive further breakthroughs by the Group in the international market, thereby injecting new vitality into the Group's long-term development. This proposed strategic acquisition will also reshape the market landscape of the surface performance materials industry. By leveraging the global business network of the Global Surface Solutions Business, we will accelerate our internationalisation, enhance our brand influence, expand into new markets and business areas, and open a new chapter in the surface performance materials industry.

CHAIRMAN'S STATEMENT

The pace of "progression" is embodied in the significant effect of synergistic development. Since CQV Co., Ltd. ("CQV"), a well-known pearlescent material enterprise in Korea, was acquired by and merged into the Group, the Group has achieved deep synergies in various aspects such as market channels, product research and development, and supply chain management, with steady improvement in operating results and significant synergistic effects. This has not only strengthened the Group's global competitiveness, but also further consolidated our leading position in the international market.

The pace of "progression" is embodied in the optimisation of product structure adjustment. Through our unremitting efforts in independent research and development, we have actively promoted products iterations and innovative upgrades, further increasing the share of mid-to-high-end products. Our innovative products and technologies have shone brightly in many industry exhibitions, garnering widespread attention and recognition from the industry. At the 2024 "Xuan Cai Huan Xin (絢彩煥新)" new product launch, we unveiled five innovative series of new products and ten popular colours of the year. These new products have not only enriched our product line, but also set a new trend in the industry, leading the new market directions.

In the FY2024, the Group accelerated the "quality (含金量)" of its business growth by developing "green content (含綠量)" in its operations.

Today, green has become the distinctive base colour of the Group's high-quality development.

Since the beginning of the year, the Group has focused on practical business development, aiming to accelerate the formation of a resource-saving and environmentally friendly spatial layout, production model and lifestyles. We have deeply promoted the synergistic advancement of carbon reduction, pollution reduction, green expansion and growth, and accelerated towards the beautiful vision of harmonious coexistence between humanity and nature, thereby accelerating the "quality (含金量)" of our business growth by developing "green content (含綠量)" in our operations.

At the highly anticipated first Sino-European Enterprises ESG Best Practice Conference in Frankfurt, the Group was honoured with the "Best Practice Award for Social Responsibility". It also won the "Award of Excellence in ESG" at the 2024 Hong Kong Corporate Governance and Environmental, Social, and Governance (ESG) Excellence Awards ceremony. Moreover, at the 7th Annual Investment Conference of Cailianshe (財聯社) in 2024, the Company was honoured with the "Innovation and Sustainable Development Award". These honours not only recognise the Company's significant contributions to promoting social and environmental sustainable development but also demonstrate the Company's outstanding achievements in social responsibility practices, such as caring for employees, supporting social development, and actively participating in public welfare and charity.

Looking into the future, Global New Material International will fully implement the strategy of "Material + Innovation + Full-scenario", and continue to make efforts in the three core areas of green manufacturing, advanced materials and intelligent applications to drive the Company to new heights.

CHAIRMAN'S STATEMENT

2025 is the year of innovative development and global leadership for Global New Material International. The Company will increase its investment in research and development, establish a global collaborative research and development mechanism, accelerate the commercialization of technological achievements in the fields of synthetic mica, pearlescent materials, new energy materials, etc., and create a full-scenario application matrix.

2025 is also a critical year for the in-depth integration of Global New Material International and Global Surface Solutions Business. Surrounding brand advantages of Global Surface Solutions Business, technical advantages and market resources, the Company will promote the in-depth integration of its surface performance materials with the existing pearlescent materials and functional materials, and enhance the competitiveness of its products through the collaboration of its global team and the integration of its resources, so as to consolidate its dominant position in the field of global surface performance materials.

We cross mountains and oceans, and go forward with our dreams, and achieve our career with practical work;

We work tirelessly from spring and summer to autumn and winter to harvest the most abundant fruits;

We have witnessed with our hands how the blueprint has become a reality!

A great cause is built up with time and persistence. In the new journey, the Company will continue to uphold the mission of "Empowering a Brighter Future with Materials (讓材料賦能美好未來)", injecting warmth into scientific and technological innovation, conveying dreams in materials, and creating a new and brighter future with hard work.

Finally, on behalf of all members of the Board, I would like to express my sincere gratitude to the management and staff of the Group for their continued dedication and contribution, as well as to all shareholders and business partners for their unfailing support.

SU Ertian

Chairman and Chief Executive Officer

31 March 2025

BUSINESS REVIEW

BUSINESS DEVELOPMENT REVIEW

2024 was an important year for Global New Material International (hereinafter referred to as the “Company”) to continue its deep engagement, deepen integration, and strengthen its leading position in the global surface performance materials field. We firmly implemented the development strategy of “Endogenous Development and Outward Expansion” established by the board of directors, continued to focus on the core business of pearlescent materials, and took historic steps in international mergers and acquisitions as well as collaborative integration. In particular, in 2024, the Company successfully signed an agreement to acquire the Surface Solutions business of Merck KGaA, Germany. This significant milestone not only remarkably enhanced our global market competitiveness but also further consolidated our leading position in the global surface performance materials industry.

In terms of operation and management, we have further enhanced our market competitiveness by means of optimizing the product structure, boosting production capacity, increasing R&D investment, and strengthening global market expansion. We are steadily advancing towards the leading position in the global surface performance materials industry. The Company has been awarded numerous industry honors, solidified its market position in the global surface performance materials industry, and further enhanced its brand value and industry influence.

For the FY2024, the Group’s revenue amounted to approximately RMB1,648.8 million, representing a year-on-year increase of approximately 55.0%, and net profit amounted to approximately RMB320.3 million, representing a year-on-year increase of approximately 50.2%.

EBITDA for the FY2024 amounted to approximately RMB612.9 million, representing an increase of approximately 65.9% as compared to approximately RMB369.6 million for the year ended 31 December 2023 (the “FY2023”).

In the FY2024, the pace of “progression” of the Group was firm and strong.

BUSINESS REVIEW

In 2024, the Group achieved significant growth in revenue and net profit, mainly due to the following factors:

1. The Company's brand effect and bargaining power in the high - end market, contributing to the improvement of the gross profit margin.
2. The business integration after the acquisition of CQV in South Korea entered a deep - synergy stage. CQV and Chesir Pearl achieved more efficient resource sharing in R&D, production, supply chain, and market channels, significantly releasing the synergy effect.
3. With the industrial upgrading and the increased proportion of high - value - added product sales, a series of high - end synthetic mica pearlescent pigments and functional surface materials launched by the Group have been highly recognized by the market, driving the growth of overall profits.
4. In terms of financial optimization, the Group effectively controlled costs through refined management, and at the same time, accelerated the capital turnover and improved the capital utilization efficiency.

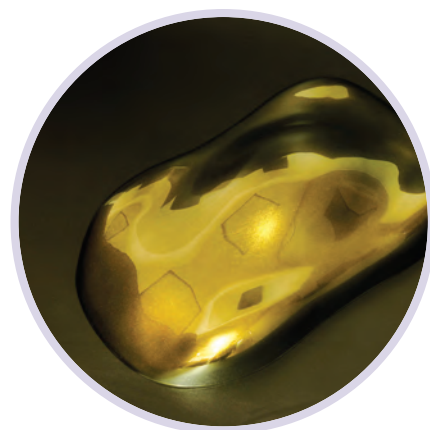
In 2024, the Group continued to optimize the industrial layout, accelerate the construction of major projects, and consolidate the global supply chain system. The Phase 2 production base of Chesir Pearl with an annual production capacity of 30,000 tons of pearlescent materials was put into operation in February 2024, further enhancing the Group's product supply capacity. The project of the Asia - Pacific regional headquarters and the production base of 100,000 tons of artificial synthetic mica in Tonglu, Hangzhou is being steadily advanced and is expected to be initially completed by the end of 2025.



BUSINESS REVIEW

In 2024, the Group continued to increase its investment in technology research and development, driving product upgrades and technological breakthroughs to meet the market demand for high-performance and environmentally friendly pearlescent materials. The team of Chesir Pearl and the team of CQV in South Korea achieved deep synergy in aspects such as market channels, product research and development, and supply chain management. The business performance has been steadily improved, and the synergy effect is remarkable. This not only enhances the Company's global competitiveness but also further consolidates our leading position in the international market.

Through unremitting independent research and development efforts, the Group has actively promoted product iteration and innovative upgrading, and the proportion of mid-to-high-end products has been further increased. Our innovative products and technologies have won widespread attention and recognition from the industry at multiple industry exhibitions. At the 2024 "Xuan Cai Huan Xin (絢彩煥新)" New Product Launch Conference, we launched five new innovative product series and ten annual popular colors. These new products not only enrich our product line but also set off a new trend within the industry, leading the new market trends.



BUSINESS REVIEW

As at 31 December 2024, the total number of pearlescent pigment products offered by Chesir Pearl of the Group had reached 1,179, which comprise:

- (a) 592 natural mica-based pearlescent pigment products under 17 series of different colours, textures and gloss levels;
- (b) 472 synthetic mica-based pearlescent pigment products under 15 series of different colours, textures and gloss levels;
- (c) 94 glass flake-based pearlescent pigment products under 5 series of different transparency, refractive index and flake structure; and
- (d) 21 silicon oxide-based pearlescent pigment products under 1 series.

As at 31 December 2024, the total number of pearlescent pigment products offered by CQV of the Group had reached 993, which comprise:

- (1) 507 synthetic mica-based products;
- (2) 159 natural mica-based products;
- (3) 140 glass flake-based products;
- (4) 102 aluminium oxide-based products;
- (5) 3 PMSQ and silicon dioxide-based products;
- (6) 43 hollow flake titanium oxide-based products;
- (7) 33 aluminium silver paste metal pigment products; and
- (8) 6 coloured aluminium metal pigment products.



BUSINESS REVIEW

For the FY2024, we successfully obtained 7 new authorised patents and registered 3 new trademarks.

As at 31 December 2024, we owned a total of 156 patents, 76 registered trademarks and 4 software copyrights.

In 2024, the Group made significant progress in its globalization strategy. Firstly, the integration of market channels with CQV in South Korea has shown remarkable results. The two sides jointly expanded into the European, American, and Southeast Asian markets, further increasing the Company's market share in the global high-end market and emerging markets. Secondly, the Group accelerated the introduction of international talents. It actively recruited high-end talents from the global surface materials industry by building up a talent reserve. Thirdly, the Group established closer strategic cooperative relationships with the world's top raw material suppliers to ensure the stability of the supply of key raw materials.

In 2024, the Group continued to make progress in brand building, social responsibility, and sustainable development, further consolidating its leading position in the industry. Global New Material International was awarded the "Best Case Award for Social Responsibility" at the 1st Sino - European Corporate ESG Best Practice Conference in Frankfurt, the "ESG Excellence Award" at the 2024 Hong Kong Corporate Governance and Environmental, Social, and Governance (ESG) Excellence Awards Ceremony, and the "Innovation and Sustainable Development Award" at the 7th Finance Associated Press (財聯社) Global Investment Annual Conference 2024.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the FY2024. Comparisons have also been made to the performance of the Group during the FY2023. Please refer to note 2 to the consolidated financial statements in this annual report on the basis upon which the results of the Group are prepared for the FY2024 and the FY2023.

REVENUE

The Group is principally engaged in the business of the production and sales of pearlescent pigment products and functional mica and related products in the PRC and Korea. The assets of the Group are substantially located in the PRC and Korea. The Group's reportable segments are strategic business units managed by separate management as each segment requires different marketing strategies. The Group offers to its customers a range of pearlescent pigment products, namely (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; (d) silicon oxide-based pearlescent pigment products; (e) aluminium oxide-based pearlescent pigment products; and (f) aluminium-based pearlescent products.

The revenue of the Group is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties.

The table below sets forth an analysis of the Group's revenue by reportable segments:

	Year ended 31 December			
	2024		2023	
	Revenue RMB'000	Proportion of Revenue %	Revenue RMB'000	Proportion of revenue %
PRC Business Operation	1,332,170	80.8	960,949	90.3
Korea Business Operation	316,593	19.2	103,106	9.7
Total	1,648,763	100.0	1,064,055	100.0

The total revenue of the Group increased from approximately RMB1,064.1 million for the FY2023 to approximately RMB1,648.8 million for the FY2024, representing a year-on-year increase of approximately 55.0%. The revenue generated from the PRC Business Operation, which accounted for approximately 80.8% (FY2023: approximately 90.3%) of the total revenue of the Group for the FY2024, increased by approximately 38.6% from approximately RMB960.9 million for the FY2023 to approximately RMB1,332.2 million for the FY2024. Such increase was mainly due to the increase in sales in natural mica-based and synthetic mica-based pearlescent pigment products. The revenue generated from the Korea Business Operation amounted to approximately RMB316.6 million for the FY2024 (FY2023: approximately RMB103.1 million), accounting for approximately 19.2% of the total revenue of the Group for the FY2024 (FY2023: approximately 9.7%).

FINANCIAL REVIEW

The table below sets forth an analysis of the Group's revenue by major products:

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Pearlescent pigment products				
– Natural mica-based	712,380	43.2	399,762	37.6
– Synthetic mica-based	518,232	31.4	438,171	41.2
– Glass flakes-based	142,238	8.6	79,419	7.5
– Silicon oxide-based	42,290	2.6	11,395	1.0
– Aluminium oxide-based	104,931	6.4	33,060	3.1
– Aluminium-based	8,192	0.5	2,196	0.2
	1,528,263	92.7	964,003	90.6
Functional mica filler ⁽¹⁾	92,782	5.6	83,766	7.9
New energy material ⁽²⁾	5,907	0.4	5,667	0.5
Others	21,811	1.3	10,619	1.0
Total	1,648,763	100.0	1,064,055	100.0

Notes:

- (1) The Group produces functional mica filler of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The functional mica filler can also be sold to the customers of the Group, in most cases upon the customers' requests, as their raw materials for the production of functional mica filler, insulating materials, refractory materials and nickel-hydrogen batteries.
- (2) The Group had developed a number of synthetic mica-based new energy battery insulation and flame retardant materials. The high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm.

The customers of the Group may be broadly divided into trading company customers and end user customers. The former will re-sell the products to their own customers with whom the Group does not have direct contractual relationship. End user customers are customers using the pearlescent pigment products for their own use and production purpose.

FINANCIAL REVIEW

The table below sets forth an analysis of the Group's sales to trading company customers and end user customers by products:

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Trading company customers				
– Pearlescent pigment products	1,273,209	77.2	796,922	74.9
– Functional mica filler	83,854	5.1	78,899	7.4
– New energy material*	—	—	—	—
– Others	19,029	1.2	9,469	0.9
	1,376,092	83.5	885,290	83.2
End user customers				
– Pearlescent pigment products	255,016	15.4	167,081	15.7
– Functional mica filler	8,928	0.5	4,867	0.5
– New energy material	5,907	0.4	5,667	0.5
– Others	2,820	0.2	1,150	0.1
	272,671	16.5	178,765	16.8
Total	1,648,763	100.0	1,064,055	100.0

* Value insignificant

The table below sets forth an analysis of the Group's sales to customers by location:

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
The PRC	1,363,588	82.7	961,325	90.3
Asia ⁽¹⁾	169,225	10.3	64,927	6.1
Europe ⁽²⁾	62,534	3.8	22,599	2.1
Africa ⁽³⁾	10,027	0.6	2,929	0.3
North America ⁽⁴⁾	18,165	1.1	10,232	1.0
South America ⁽⁵⁾	25,224	1.5	2,043	0.2
Total	1,648,763	100.0	1,064,055	100.0

* Value insignificant

Notes:

- (1) Countries and territories in Asia include Pakistan, Hong Kong, Macau and Taiwan, Korea, Bangladesh, Japan, Saudi Arabia, Thailand, Turkey, Israel, India, Indonesia, Jordan, Singapore and Vietnam.
- (2) European countries include Estonia, Belgium, Poland, Germany, Finland, the Netherlands, Serbia, Switzerland, Spain, Italy and the United Kingdom.
- (3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (4) Countries in North America include the United States, Canada and Mexico.
- (5) Countries in South America include Brazil and Chile.

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to approximately RMB1,528.3 million in the FY2024 from approximately RMB964.0 million in the FY2023, representing an increase of approximately RMB564.3 million or approximately 58.5%. Sales of natural mica-based pearlescent pigment products increased by approximately RMB312.6 million, or approximately 78.2%, as compared to the FY2023. Sales of synthetic mica-based pearlescent pigment products increased by approximately RMB80.1 million, or approximately 18.3%, as compared to the FY2023. Sales of glass flake-based pearlescent pigment products increased by approximately RMB62.8 million, or approximately 79.1%, as compared to the FY2023. Sales of silicon oxide-based pearlescent pigment products increased by approximately RMB30.9 million, or approximately 271.1%, as compared to the FY2023. Sales of aluminium oxide-based pearlescent pigment products increased by approximately RMB71.9 million, or 217.4%, as compared to the FY2023. Sales of aluminium-based pearlescent pigment products increased by approximately RMB6.0 million, or 273.0%, as compared to the FY2023. Sales of other non-pearlescent pigment products increased by approximately RMB20.4 million, or 20.4%, as compared to the FY2023. The increase in revenue from sales of pearlescent pigment products was mainly due to (a) the increase in both sales volume and sales price of pearlescent pigment products, and (b) the consolidation of CQV's full year revenue into the accounts of the Group for the FY2024, as compared to the consolidation of CQV's four-month's revenue for the FY2023.

Sales of functional mica filler

The sales of functional mica filler increased to approximately RMB92.8 million in the FY2024 from approximately RMB83.8 million in the FY2023, representing an increase of approximately RMB9.0 million or approximately 10.8%. The increase was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the increase in the production of synthetic mica-based pearlescent pigment products as a result of technological improvement and the commercial operation of the additional equipment of Phase 1 Production Plant.

Sales of new energy material

New energy material produced by the Group included the synthetic mica-based new energy battery insulation and flame retardant materials. The sales of new energy material recorded approximately RMB5.9 million in the FY2024 (FY2023: approximately RMB5.7 million).

FINANCIAL REVIEW

COST OF GOODS SOLD

The cost of goods sold increased by approximately 44.7% from approximately RMB528.0 million in the FY2023 to approximately RMB764.1 million in the FY2024. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by approximately 35.9% from approximately 18,685 tonnes in the FY2023 to approximately 25,404 tonnes in the FY2024 and the increase in the sales volume of functional mica filler by approximately 11.4% from approximately 3,057 tonnes in the FY2023 to approximately 3,404 tonnes in the FY2024.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased to approximately RMB873.7 million in the FY2024 from approximately RMB528.3 million in the FY2023, representing an increase of approximately 65.4%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin was approximately 53.0% for the FY2024, representing an increase of approximately 3.3% as compared to the gross profit margin for the FY2023. The increase in gross profit margin for the FY2024 as compared to the FY2023 was mainly attributable to the change in the products mix of the Group's products in the FY2024.

OTHER INCOME AND OTHER GAINS AND LOSSES

The amount of other income and other gains and losses in the FY2024 was approximately RMB2.4 million, as compared to approximately RMB28.0 million in the FY2023. The decrease was mainly due to the increase in exchange loss of approximately RMB28.4 million in the FY2024.

REVERSAL OF IMPAIRMENT LOSSES FOR TRADE, BILLS AND OTHER RECEIVABLES, NET

The Group has a reversal of impairment losses for trade, bills and other receivables, net of approximately RMB6.6 million in the FY2024, as compared to approximately RMB0.6 million in the FY2023.

SELLING EXPENSES

The selling expenses increased to approximately RMB95.5 million in the FY2024 from approximately RMB62.8 million in the FY2023, representing an increase of approximately 52.1%. The increase in the selling expenses was mainly attributable to the inclusion of CQV's selling expenses for a full financial year in the FY2024 by way of consolidation into the accounts of the Group and the increase in the Group's selling and transportation expenses, salaries and promotion expenses due to the increase in sales.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses increased to approximately RMB262.4 million in the FY2024 from approximately RMB188.6 million in the FY2023, representing an increase of approximately 39.1%. Such increase was mainly attributable to inclusion of CQV's relevant expenses for a full financial year in the FY2024 by way of consolidation into the accounts of the Group; the expenses incurred in engaging professional services in relation to potential acquisition opportunities; the staff costs of addition of merger and acquisition team; and the increase in amortisation of intangible assets.

FINANCIAL REVIEW

FINANCE COSTS

Finance costs increased from approximately RMB51.4 million in the FY2023 to approximately RMB118.4 million in the FY2024, representing a significant increase of approximately 130.3%. Such increase was mainly due to the increase in bank loans and other borrowings, the interest expenses for the Tranche A Convertible Bond, the First Tranche Initial Bond and the other borrowings for the preparation of the proposed acquisition of the Global Surface Solutions Business.

INCOME TAX EXPENSE

The income tax expense increased to approximately RMB86.0 million in the FY2024 from approximately RMB40.7 million in the FY2023. The increase was primarily due to expansion of the Group's business in Korea through CQV since August 2023; and the increase in PRC Enterprise Income Tax in the FY2024.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the FY2024 amounted to approximately RMB320.3 million, representing an increase of approximately 50.2%, as compared to approximately RMB213.3 million in the FY2023. Net profit margin for the FY2024 and the FY2023 was approximately 19.4% and 20.0%, respectively.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE IN USE OF NET PROCEEDS

The shares (the "**Shares**") of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 July 2021. The Over-allotment Option (as defined and described in the prospectus (the "**Prospectus**") of the Company dated 30 June 2021) was partially exercised on 5 August 2021. The total number of new Shares issued by the Company under the global offering (the "**Global Offering**") was 319,742,000 and the amount of the net proceeds received by the Company from the Global Offering amounted to HK\$970.2 million. The Company received the amount of the net proceeds from the Global Offering in July 2021 and August 2021, respectively.

As disclosed in the announcement of the Company dated 25 July 2024, on 25 July 2024, the Company has entered into an agreement with, among others, Merck KGaA in relation to the Proposed Transaction for acquiring the Global Surface Solutions Business at the aggregate consideration of EUR665,000,000 (subject to adjustment) (the "**Consideration**"). Please refer to the said announcement of the Company for further information.

In light of (a) the Proposed Transaction, (b) the completion of relocation of certain structures built on the land in relation to the construction of a synthetic mica plant in Luzhai (the "**Luzhai Synthetic Mica Plant**") did not progress as contemplated, the Board has resolved to change the use of the unutilised proceeds in the aggregate amount of HK\$330.8 million to finance the settlement of the Consideration of the Proposed Transaction.

FINANCIAL REVIEW

The table below sets forth a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the actual utilisation amounts for the FY2024:

	Original allocation of the net proceeds from the Global Offering HK\$' million	Revised allocation of the net proceeds from the Global Offering HK\$' million	Percentage to the total net proceeds %	Remaining balance as at 31 December 2023 HK\$' million	Amount utilised up to 31 December 2024 HK\$' million	Remaining balance as at 31 December 2024 HK\$' million	Expected timeline for the intended use
Construction of the Phase 2 Production Plant	539.5	539.5	55.6	156.6	539.5	—	Utilised
Construction of the Luzhai Synthetic Mica Plant	330.8	—	—	—	—	—	—
Increase investment in research and development facilities and testing equipment of the research and development centre	68.9	68.9	7.1	—	68.9	—	Utilised
Sales and marketing activities and building sales network	31.0	31.0	3.2	4.9	31.0	—	Utilised
Financing the settlement of the Consideration of the Proposed Transaction	—	330.8	34.1	330.8	—	330.8	By end of 2025
Total	970.2	970.2	100.0	492.3	639.4	330.8	

The Group remains committed to the construction of the Luzhai Synthetic Mica Plant and intends to finance its construction by internal resources as and when necessary.

The Board considers that the changes in the use of net proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole.

The Directors will continuously assess the business objectives of the use of net proceeds and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

FINANCIAL REVIEW

USE OF THE NET PROCEEDS FROM THE ISSUE OF THE TRANCHE A CONVERTIBLE BOND

On 28 December 2022, the Company entered into the subscription agreement (the “**Subscription Agreement**”) with Hong Kong Boyue International Investment Fund Co., Limited (the “**2022 CB Subscriber**”), pursuant to which the Company conditionally agreed to issue, and the 2022 CB Subscriber conditionally agreed to subscribe and pay for, the 3.50% coupon convertible bonds (the “**2022 Convertible Bonds**”) in the aggregate principal amount up to RMB500.0 million, comprising the Tranche A Convertible Bond in the principal amount of RMB300.0 million and the Tranche B Convertible Bond in the principal amount of not more than RMB200.0 million. The 2022 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. The closing price of the Shares on 28 December 2022, being the date on which the terms of the Subscription Agreement were fixed, was HK\$4.00 per Share. Further details of the 2022 Convertible Bonds are disclosed in the announcement of the Company dated 28 December 2022.

On 30 December 2022, the Company completed the issue of the Tranche A Convertible Bonds in the principal amount of RMB300.0 million to the 2022 CB Subscriber. The amount of the net proceeds received by the Company from the issue of the Tranche A Convertible Bond amounted to RMB300.0 million. Further details of which are disclosed in the announcement of the Company dated 30 December 2022.

The table below sets forth the intended use of the net proceeds from the issue of the Tranche A Convertible Bond and the actual utilisation amount for the FY2024:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond		Remaining balance as at 31 December 2023	Amount utilised up to 31 December 2024	Remaining balance as at 31 December 2024	Expected timeline for the intended use
	Percentage to the total net proceeds					
	%		RMB' million	RMB' million	RMB' million	
Investment opportunities within the pearlescent pigments and synthetic mica industry	300.0	100.0	300.0	— ⁽¹⁾	300.0	By end of 2025

Note:

- (1) During the FY2024, the Group did not use any of the net proceeds from the issue of the Tranche A Convertible Bond for the intended purpose as disclosed above because while the Group has identified the suitable investment opportunity in the Proposed Transaction, completion of the Proposed Transaction has not yet taken place in the FY2024. The Board confirms that the intended use remains unchanged and such unutilised proceeds in the FY2024 would be used by the end of 2025 for the same purpose.

On 31 July 2023, the 2022 CB Subscriber submitted to the Company that it was unable to complete the subscription for the Tranche B Convertible Bond on or before 31 July 2023. Therefore, the 2022 CB Subscriber will not proceed to subscribe for the Tranche B Convertible Bond. Further details of which are disclosed in the announcement of the Company dated 31 July 2023.

FINANCIAL REVIEW

USE OF NET PROCEEDS FROM THE ISSUE OF THE FIRST TRANCHE INITIAL BOND

On 5 November 2023, the Company entered into an agreement (the **"Purchase Agreement"**) with Billion New Limited (the **"2023 CB Subscriber"**), pursuant to which (i) the Company conditionally agreed to issue, and the 2023 CB Subscriber conditionally agreed to subscribe for, the 9.0% initial convertible bonds in the aggregate principal amount of up to US\$50.0 million due 2025 (the **"Initial Bonds"**), comprising the First Tranche Initial Bond in the principal amount of up to US\$40.0 million and the Second Tranche Initial Bond in the principal amount of up to US\$10.0 million; and (ii) the Company may, pursuant to the terms of the Purchase Agreement, exercise the option to conditionally issue to the 2023 CB Subscriber and/or any other incoming investor(s) 9.0% option convertible bonds in the principal amount of up to US\$30.0 million due 2025 (the **"Option Bonds"**, together with the Initial Bonds, the **"2023 Convertible Bonds"**). The 2023 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. The closing price of the Shares on 3 November 2023, being the date on which the terms of the Purchase Agreement were fixed, was HK\$3.81 per Share. Further details of the 2023 Convertible Bonds are disclosed in the announcement of the Company dated 5 November 2023.

On 8 November 2023, the Company completed the issue of the First Tranche Initial Bond in the principal amount of US\$40.0 million to the 2023 CB Subscriber. The amount of the net proceeds received by the Company from the issue of the First Tranche Initial Bond amounted to US\$40.0 million. Further details of which are disclosed in the announcement of the Company dated 8 November 2023.

The table below sets forth the intended use of the net proceeds from the issue of the First Tranche Initial Bond and the actual utilisation amount for the FY2024:

Prescribed usage	Allocation of the net proceeds from the issue of the First Tranche Initial Bonds		Amount utilised during up to 31 December 2024		Remaining balance as at 31 December 2024	Expected timeline for the intended use
	US\$' million	Percentage to the total net proceeds %	US\$' million		US\$' million	
General working capital requirement of the Group	40.0	100.0	40.0	—	Utilised	

On 8 March 2024, 8 July 2024 and 8 November 2024, the Company and the 2023 CB Subscriber entered into the first supplemental agreement, the second supplemental agreement and the third supplemental agreement, respectively, whereby the parties agreed to extend the period for the Company to exercise the option to issue the Option Bonds (the **"Option Bond Period"**) by a total of 360 days (i.e. the last date of the Option Bond Period falling on 1 March 2025). Further details of which are disclosed in the announcements of the Company dated 8 March 2024, 8 July 2024 and 8 November 2024, respectively.

FINANCIAL REVIEW

As the Company has not exercised the option to issue Option Bonds by 1 March 2025, being the last date of the Option Bond Period, the option to issue the Option Bonds under the Purchase Agreement has lapsed.

As at the date of this report, the unutilised balance of the net proceeds from the Global Offering and the issue of the Tranche A Convertible Bond are deposited in the licensed banks in the PRC and Hong Kong.

BUSINESS OUTLOOK

Looking into the future, the Group will fully implement the strategy of “Material + Innovation + Full-scenario”, and continue to make efforts in the three core areas of “green manufacturing, advanced materials and intelligent applications” to drive the Group to new heights.

2025 is the year of innovative development and global leadership for the Group. The Group will increase its investment in research and development, establish a global collaborative research and development mechanism, accelerate the commercialization of technological achievements in the fields of synthetic mica, pearlescent materials, new energy materials, etc., and create a full-scenario application matrix.

2025 is also a critical year for the in-depth integration of the Global Surface Solutions Business into the Group, subject to completion of the Proposed Transaction. Surrounding the Global Surface Solutions Business’s brand advantages, technical advantages and market resources, the Company will promote the in-depth integration of its surface performance materials with the existing pearlescent materials and functional materials, and enhance the competitiveness of its products through the collaboration of its global team and the integration of its resources, so as to consolidate its dominant position in the field of global surface performance materials.

We will focus our efforts on the following six areas:

- (i) integration of global sales channels;
- (ii) coverage of full range product portfolios;
- (iii) optimization of supply chain costs;
- (iv) enhancement of technology integration and innovation capabilities;
- (v) building of a global talent pool; and
- (vi) promotion of brand influence and market position.

BUSINESS OUTLOOK

We have set clear short-term goals to rapidly increase the Company's global sales scale and gross profit margin. Set out below are some of our key initiatives in the six areas:

INTEGRATION OF GLOBAL SALES CHANNEL

We will strive to open up and optimize global sales channels to ensure that our products can reach various markets and customer groups more efficiently.

COVERAGE OF FULL RANGE PRODUCT PORTFOLIOS

We will continue to expand and improve our full range of high-, mid- and low-end product portfolios to meet the needs of different markets and consumers, thereby enhancing our competitiveness in the market.

OPTIMIZATION OF SUPPLY CHAIN COSTS

We will optimize our supply chain costs through refined management to improve operational efficiency and reduce costs.

We are focused on the future and have developed a medium to long-term strategic plan to ensure our continued leadership and growth in future markets. Here are some of our key initiatives:

ENHANCEMENT OF TECHNOLOGY INTEGRATION AND INNOVATION CAPABILITIES

We will continue to increase our investment in research and development to promote product upgrading and application expansion in the fields of cosmetic active ingredients and industrial functional products through enhancement of technology integration and innovation capabilities. On the basis of the steady growth of our existing business, we will explore and cultivate new growth areas to create a secondary growth curve for the Group. We will further tilt the focus of our downstream market expansion towards the consumer sector to meet growing end-consumer demand and capture new market opportunities.

BUILDING OF A GLOBAL TALENT POOL

We will build a global talent pool to provide strong intellectual support for the Group's long-term growth and innovation.

PROMOTION OF BRAND INFLUENCE AND MARKET POSITION

Through a series of brand building and marketing activities, we will enhance our brand influence, achieve brand premium, and win a greater voice in the industry.

DIRECTORS' REPORT

In addition to the business and financial information set forth in this annual report, the following sets forth certain information of the Group and its business and other operational aspects for the purpose of complying with the disclosure requirements under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the applicable laws and regulations:

DIRECTORS

The Directors of the Company during the FY2024 and up to the date of this annual report were:

Executive Directors

Mr SU Ertian (*Chairman and Chief Executive Officer*)

Mr JIN Zengqin

Mr ZHOU Fangchao (*Joint company secretary*)

Mr BAI Zhihuan (*Vice President*)

Ms ZENG Zhu

Mr LIM Kwang Su (*appointed on 26 September 2024*)

Non-executive Directors

Mr HU Yongxiang

Independent non-executive Directors

Mr HUI Chi Fung

Professor HAN Gaorong

Mr LEUNG Kwai Wah Alex

Professor CHEN Fadong (*appointed on 26 September 2024*)

The updated biographical information on the Directors as at the date of this annual report is set forth in the paragraphs under "Biographical Information on Directors and Senior Management" of this annual report.

In accordance with article 83(3) of the articles of association (the "**Articles**") of the Company, any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Mr LIM Kwang Su and Professor CHEN Fadong shall hold office only until the forthcoming annual general meeting (the "**Annual General Meeting**") to be held on Friday, 27 June 2025 and shall be eligible for re-election at the forthcoming Annual General Meeting.

In accordance with article 84 of the Articles, Mr SU Ertian, Mr ZHOU Fangchao and Mr BAI Zhihuan shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in the business of production and sales of pearlescent pigment products and functional mica and related products in the PRC and the Republic of Korea ("**Korea**").

RESULTS AND APPROPRIATIONS

The results of the Group for the FY2024 are set forth under the "Consolidated Statement of Profit or Loss" in this annual report.

FINAL DIVIDEND AND DIVIDEND POLICY

The Company has not adopted any fixed dividend pay-out ratio. Dividends may be paid out by way of cash or by such other means as the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to the approval of the shareholders (the "**Shareholders**") of the Company. A decision to declare or pay any dividend in the future, and the amount of any of such dividends, depends on a number of factors, including the Group's results of operations, financial condition, amount of capital expenditures, payment by the subsidiaries of cash dividends to the Company and such other factors as the Directors may deem relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Act of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Board has decided not to declare and pay any final dividend for the FY2024 (FY2023: Nil).

BUSINESS REVIEW AND PROSPECTS

Discussions and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance, including material events that have occurred since the year-end date and an indication of likely future development in the Group's business are set forth in the paragraphs under "Chairman's Statement", "Business Review", "Financial Review" and "Business Outlook" in this annual report. The relevant discussions form part of this Directors' Report.

SUBSIDIARIES

Further information on the Company's principal subsidiaries is set forth in note 24 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five years is set forth under "Five-Year Financial Summary" in this annual report.

DIRECTORS' REPORT

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

The Group's business operation is generally financed by its internal financial resources and bank loans and other borrowings.

As at 31 December 2024 and 2023, the bank and cash balances amounted to approximately RMB3,411.4 million and approximately RMB3,203.5 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group, the Tonglu Project and the Consideration for the Proposed Transaction. The increase in the bank and cash balances as at 31 December 2024 was mainly due to the issuance of CQV Convertible Bond, cash generated from operating activities and the increase in bank loans and other borrowings.

As at 31 December 2024 and 2023, the bank loans and other borrowings amounted to approximately RMB1,729.0 million and RMB327.0 million, respectively. The increase in the borrowings was mainly attributable to the increase in new bank loans and other borrowings of approximately RMB1,699.1 million, offset by the repayment of bank loans and other borrowings of approximately RMB272.2 million during the FY2024.

As at 31 December 2024, the Group had liability component of the convertible bonds of approximately RMB683.3 million (as at 31 December 2023: approximately RMB576.1 million).

Borrowings

Further information on the borrowings of the Group is set forth in note 30 to the consolidated financial statements in this annual report.

Gearing ratio

The gearing ratio (calculated as total interest bearing borrowings divided by total assets) of the Group was approximately 34.3% as at 31 December 2024 (as at 31 December 2023: approximately 17.6%). The increase in the gearing ratio was mainly due to the increase of bank loans and other borrowings.

Net asset value

As at 31 December 2024 and 2023, the net assets of the Group amounted to approximately RMB4,353.1 million and approximately RMB4,085.1 million, respectively. Net asset value per Share contributed to owners of the Company as at 31 December 2024 amounted to approximately RMB2.73, as compared to approximately RMB2.55 as at 31 December 2023.

DIRECTORS' REPORT

Contingent liabilities

As at 31 December 2024, there was a pending lawsuit in respect of seeking an injunction of patent infringement being brought against CQV during 2022 and claiming approximately RMB1.1 million. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the Directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

Pledge of assets

As at 31 December 2024, certain property, plant and equipment, and right-of-use assets and patents with aggregate net book value of approximately RMB531.1 million, as compared to approximately RMB242.0 million as at 31 December 2023, were pledged to financial institutions as collaterals for bank and other borrowings.

As at 31 December 2024, the restricted deposits and restricted bank deposits pledged as security for the Group's banking facility amounted to approximately RMB32.1 million (as at 31 December 2023: approximately RMB2.4 million).

CAPITAL STRUCTURE

There has been no other material change in the capital structure of the Company during the FY2024. The capital of the members of the Group comprises ordinary shares.

Information about the share options of the Company and details of changes in the share options granted by the Company for the FY2024 is set forth in the paragraph under "Share Option Scheme" below.

As at 31 December 2024, the Company had issued (i) the Tranche A Convertible Bond in the aggregate principal amount of RMB300.0 million in relation to the 2022 Convertible Bonds issue on 30 December 2022; and (ii) the First Tranche Initial Bond in the principal amount of US\$40.0 million in relation to the 2023 Convertible Bonds issue on 8 November 2023. Both the Tranche A Convertible Bond and the First Tranche Initial Bond have an initial conversion price of HK\$7.6 per Share and are convertible into the maximum of 43,815,789 and 40,789,474 Shares, respectively.

DIRECTORS' REPORT

The table below sets forth the summary of the convertible bonds for the FY2024. Further details of the convertible bonds are set forth in note 37 to the consolidated financial statements in this annual report.

Date of issue	Principal amount as at 1 January 2024	Maturity date	Conversion price per share HK\$	Amount converted into Shares during the FY2024	Amount redeemed during the FY2024	Outstanding principal amount as at 31 December 2024	Number of shares to be issued upon full conversion as at 31 December 2024
30 December 2022	RMB300,000,000.0	fourth anniversary of the date of issue	7.6	—	—	RMB300,000,000.0	— (Note 1)
8 November 2023	US\$40,000,000.0	second anniversary of the date of issue	7.6	—	—	US\$40,000,000.0	— (Note 2)

Note:

1. The Company made an application to the Listing Committee (as defined in the Listing Rules) for the listing of, and permission to deal in, 73,026,316 Shares, which may be issued and allotted upon the conversion of the aggregate principal amount up to RMB500.0 million of the 2022 Convertible Bonds at the initial conversion price of HK\$7.6 per Share, on 30 December 2022. Such approval has been granted by the Listing Committee in January 2023.
2. The Company made an application to the Listing Committee (as defined in the Listing Rules) for the listing of, and permission to deal in, 81,578,947 Shares, which may be issued and allotted upon the conversion of the aggregate principal amount up to US\$80.0 million of the 2023 Convertible Bonds at the initial conversion price of HK\$7.6 per Share, on 7 November 2023. Such approval has been granted by the Listing Committee on 23 November 2023.

As at 31 December 2024, no conversion into shares had occurred for the Tranche A Convertible Bond and the First Tranche Initial Bond. If the conversion rights attaching to the Tranche A Convertible Bond and the First Tranche Initial Bond were fully exercised in accordance with relevant conditions, the Company would have issued 43,815,789 and 40,789,474 Shares, respectively, representing approximately 3.54% and 3.29%, respectively, of the total issued Shares as at 31 December 2024 and 3.31% and 3.08%, respectively, of the total issued Shares as enlarged by the issue of such conversion shares.

DIRECTORS' REPORT

The table below sets forth the dilution impact of the full conversion of the Tranche A Convertible Bond and the First Tranche Initial Bond on the shareholding of the Shareholders (having referred to the Company's shareholding structure as at 31 December 2024 and assuming no further Shares would be issued by the Company):

Name of Shareholders	As at 31 December 2024		Immediately following the full conversion of the Tranche A Convertible Bond		Immediately following the full conversion of the Tranche A Convertible Bond and the First Tranche Initial Bond	
	No. of Shares	% of the issued Shares	No. of Shares	% of the issued Shares	No. of Shares	% of the issued Shares
Directors						
– Mr SU Ertian <i>(Note 1)</i>	427,057,948	34.47%	427,057,948	33.29%	427,057,948	32.27%
– Mr BAI Zhihuan <i>(Note 2)</i>	694,000	0.06%	694,000	0.05%	694,000	0.05%
– Mr LIM Kwang Su <i>(Note 3)</i>	13,481,181	1.09%	13,481,181	1.05%	13,481,181	1.02%
– Mr HU Yongxiang <i>(Note 4)</i>	19,285,200	1.56%	19,285,200	1.50%	19,285,200	1.46%
Substantial Shareholder						
– Guangxi Investment Group Co., Ltd. <i>(Note 5)</i>	123,638,000	9.97%	123,638,000	9.64%	123,638,000	9.34%
Public Shareholders	654,713,803	52.85%	654,713,803	51.05%	654,713,803	49.47%
The holder of the Tranche A Convertible Bond	—	—	43,815,789	3.42%	43,815,789	3.31%
The holder of the First Tranche Initial Bond	—	—	—	—	40,789,474	3.08%
Total	1,238,870,132	100.00%	1,282,685,921	100.00%	1,323,475,395	100.00%

Notes:

- (1) Mr SU is the Chairman and the Chief Executive Officer of the Company and an executive Director. As at 31 December 2024, Mr SU was interested in an aggregate of 427,057,948 Shares, among which he was deemed to be interested in 418,729,948 Shares through certain corporations and he beneficially owned 8,328,000 Shares. Mr JIN Zengqin, an executive Director, was deemed to be interested in 43,934,148 Shares through two corporations controlled by Mr SU and him as at 31 December 2024.
- (2) Mr BAI Zhihuan is an executive Director. As at 31 December 2024, Mr BAI Zhihuan beneficially owned 694,000 Shares.
- (3) Mr LIM Kwang Su is an executive Director. As at 31 December 2024, Mr LIM Kwang Su beneficially owned 13,481,181 Shares.
- (4) Mr HU Yongxiang is a non-executive Director. As at 31 December 2023, Mr HU Yongxiang was deemed to be interested in 19,285,200 Shares through a corporation.
- (5) As at 31 December 2024, Guangxi Investment Group Co., Ltd. is deemed to be interested in 123,638,000 Shares through certain corporations.

DIRECTORS' REPORT

RESERVES

Further information on the movements in the reserves of the Group and of the Company for the FY2024 is set forth in Consolidated Statement of Changes in Equity and note 31 to the consolidated financial statements in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Further information on the movements in property, plant and equipment of the Group for the FY2024 is set forth in note 17 to the consolidated financial statements in this annual report.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as at a particular date but not yet incurred. As at 31 December 2024, the capital commitments amounted to approximately RMB5,873.1 million (as at December 2023: approximately RMB275.1 million), which represent the Consideration, as well as the commitments to purchase property, plant and equipment including in relation to (a) the modifications and expansions of the Phase 1 Production Plant; (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant; (c) the Tonglu Project; and (d) the expansion of a research and development centre by CQV, and the respective acquisition of related facilities. It is estimated that the said commitments will be financed by internal resources and external financing.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC and Korea and most of its business transactions, assets and liabilities are denominated in Renminbi and Korean Won. The Group is exposed to foreign currency risk primarily in respect of US dollars and Japanese Yen denominated transactions from its operations in Korea. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, the management of the Group regularly and closely monitors the Group's foreign currency exposure from time to time and considers hedging against significant foreign currency exposure shall the need arises, such as by way of using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the FY2024, the Group did not commit to any financial instruments to hedge its foreign currency risk exposure, as the Directors are of the opinion that the related foreign currency risk exposure has not adversely affect the Group's operations or liquidity and is manageable.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

On 25 July 2024, the Company entered into an agreement (the "**Agreement**") with: (a) the members of the Company and its affiliates nominated by the Company to purchase and acquire the relevant sale shares (the "**Share Purchasers**"), (b) Merck KGaA (the "**Seller**"), (c) the members of the Seller and its affiliates (excluding target companies) (the "**Seller Group**") specified in the Agreement and members of the Seller Group nominated by the Seller to sell and transfer a portion of the worldwide surface solutions business of the Seller Group (the "**Business Sellers**"), and (d) Merck Electronics KGaA (Germany), Merck Chemicals B.V. (Netherlands), Merck Life Science KGaA (Germany) and the members of the Seller Group nominated by the Seller to sell and transfer the relevant sale shares (the "**Share Sellers**") ((c) and (d) collectively the "**Designated Sellers**").

Pursuant to the Agreement, the Seller and the Designated Sellers agreed to sell, and the Company and the Share Purchasers agreed to purchase, the worldwide global surface solutions business of the Seller Group at the aggregate consideration of EUR665,000,000 (equivalent to approximately RMB5,187,000,000 or HK\$5,586,000,000), subject to adjustments in accordance with the terms and conditions of the Agreement (the "**Consideration**"). The Consideration will be settled in cash and funded by the internal financial resources of the Group and external financing including bank loans.

Further details of the above are disclosed in the announcement of the Company dated 25 July 2024. Save as disclosed above, the Group did not have any other significant investment, material acquisition or disposal during the FY2024.

MAJOR CUSTOMERS AND SUPPLIERS

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality products to its customers.

The Group establishes good relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on a regular basis.

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate during the FY2024 was 35.8% of the total purchases of the Group and the largest supplier included therein amounted to 11.7%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers.

The percentage of revenue attributable to the five largest customers of the Group in aggregate during the FY2024 was 9.2% of the total revenue of the Group and the largest customer included therein amounted to 2.0%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest customers.

DIRECTORS' REPORT

EMPLOYEES AND REMUNERATION POLICY

Employees are one of the most important assets of the Group and their contribution and support are valuable. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Other fringe benefits, such as employees' provident fund and share options, if applicable, are provided to attract and retain talents helping the Group in success.

The Group had 693 employees in Mainland China, 15 employees in Hong Kong and 193 employees in Korea as at 31 December 2024 (31 December 2023: 589, 9 and 171, respectively). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market rates and individual contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. Pursuant to applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there, participated in defined benefit and defined contribution retirement pension plans in Korea for its employees there and provided a mandatory provident fund scheme to employees in Hong Kong.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") of the Company was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the date it became unconditional and up to the date of this annual report.

The number of share options available for grant under the Share Option Scheme was 116,269,558 share options as at 1 January 2024 and 31 December 2024.

A summary of the salient terms of the Share Option Scheme is set forth below:

- | | | |
|---|--------------|--|
| 1 | Purpose | To enable the Company to grant options to the Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group. |
| 2 | Who may join | <p>The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme to:</p> <p>(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the "Executive"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "Employee");</p> |

DIRECTORS' REPORT

- (b) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (c) a direct or indirect shareholder of any member of the Group;
- (d) a supplier of goods or services to any member of the Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(collectively, the "**Eligible Participants**")

3 Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the date on which dealings in the Shares first commenced on the Stock Exchange, being 116,269,558 Shares. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 116,269,558 Shares, representing approximately 9.39% of the total number of issued Shares as at such date.

4 Maximum number of option to each participant

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Shares in issue from time to time. Any further grant of options above such limit shall be separately approved by the Shareholders in general meeting with such Eligible Participant and his close associates or associates, as applicable, abstaining from voting.

DIRECTORS' REPORT

- | | | |
|---|---|---|
| 5 | Offer period and amount payable for options | An offer shall remain open for acceptance by an Eligible Participant for a period of 28 days from the offer date, provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. The amount payable on acceptance of an option is HK\$1.0. |
| 6 | Exercise of option | An option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in the Share Option Scheme by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion at time of offering the grant of an option and shall be specified in the offer letter. |
| 7 | Subscription price | <p>As the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than whichever is the highest of:</p> <ul style="list-style-type: none">(a) the nominal value of a Share;(b) the closing price of a Share in the Stock Exchange's daily quotation sheet on the date of grant; and(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant. |
| 8 | Life of the Share Option Scheme | Subject to earlier termination by the Company in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, i.e. 16 July 2021, and will therefore expire on 16 July 2031, after which no further option will be granted or offered. |

For further details of the Share Option Scheme, please refer to the section headed "Post-IPO Share Option Scheme" in Appendix V "Statutory and General Information" to the Prospectus.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) during the FY2024.

DIRECTORS' REPORT

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of related party transactions of the Group are set out in note 43 to the consolidated financial statements.

None of the related party transactions constituted connected transactions or continuing connected transactions in accordance with the Listing Rules during the FY2024, and the Company confirms that it has complied with the applicable disclosure requirements in Chapter 14A of the Listing Rules in respect of the relevant transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Shares are in the hands of the public as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DONATIONS

Donations by the Group for charitable during the FY2024 amounted to approximately RMB0.1 million.

SUBSEQUENT EVENT

There has been no significant event affecting the Group which occurred after 31 December 2024 and up to the date of this annual report which requires disclosure.

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to various risks and uncertainties, and they are summarised as below:

Risk	Description	Key risk control measures
Macroeconomic risk	The sales are dependent on the PRC and global economy, and any significant economic downturn in the PRC and global economy could adversely affect our business, financial condition, results of operations and prospects.	<ul style="list-style-type: none">continuously monitor the global and PRC economic situations and respond with appropriate strategies in a timely mannerconduct regular performance review and perform stress test based on exposure and sensitivity in different scenariosclearly convey the Company's business development strategy and prospects to the capital market to understand the Company's core competitiveness and long-term investment value

DIRECTORS' REPORT

Risk	Description	Key risk control measures
Market risk	The levels of demand and supply of pearlescent pigment products and synthetic mica powder are not entirely within the Group's control and are generally affected by the paint, chemical and cosmetics industries, the overall macroeconomic factors in the pearlescent pigment and synthetic mica powder industries and the production capacity of other manufacturers.	<ul style="list-style-type: none"> enhance the sales and marketing strategy and management in order to expedite the return in contracted sales closely monitor market performance of paint, chemical and cosmetics industries, and the pearlescent pigment and synthetic mica powder industries including the Group's market competitors
Operation risk	The business and financial conditions of the Group depend on our ability to effectively manage our inventories and the turnover rate of our inventories is susceptible to the overall demand of customers and changes in consumer choice and preference which are beyond our control.	<ul style="list-style-type: none"> actively manage the product inventories to stabilise the supply of products and cash inflow actively develop new products to align with market demand collaboration amongst various departments within the Group to implement strong cost control
Financial risks	the Group is exposed to a variety of financial risks due to its business operation and activities, including and without limitation, foreign currency risk, credit risk, liquidity risk and interest rate risk. Further information on the Group's exposure to foreign exchange risk and other financial risks is set forth in the paragraphs under "Foreign Exchange Exposure" above and note 6 to the consolidated financial statements in this annual report.	<ul style="list-style-type: none"> review and explore different financing tools to minimise the foreign exchange risk continuously monitor the volatility of currency exchange rate constantly optimise the ratio of RMB and foreign currency debt at appropriate time

DIRECTORS' REPORT

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the FY2024, and up to date of this annual report, the Board was not aware of any non-compliance with the applicable laws and regulations, including the Articles, the laws of the Cayman Islands, the Listing Rules, other laws and regulations, which have a significant impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group supports sustainable development by conducting its business in an environmentally responsible manner. Discussions on the Group's environmental policies and performance during the FY2024 are set forth in the paragraphs under "Environmental, Social and Governance Report" in this annual report. These discussions form part of this Directors' Report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. On this basis, all the independent non-executive Directors are considered to be independent for the purpose of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Further information on the five highest paid individuals in the Group and the Directors' emoluments is set forth in notes 13 and 14 to the consolidated financial statements in this annual report. The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

There were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted as at the end of the year or at any time during the FY2024.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the FY2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the paragraphs under "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company", at no time during the FY2024 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2024, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix C3 to the Listing Rules, were as follows:

Name of Directors	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Mr SU Ertian (" Mr SU ")	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
	Interest in controlled corporation ⁽²⁾	45,337,828	3.66%
	Interest in controlled corporation ⁽³⁾	27,234,172	2.20%
	Interest in controlled corporation ⁽⁴⁾	1,068,000	0.09%
	Interest in controlled corporation ⁽⁵⁾	24,241,200	1.96%
	Interest in controlled corporation ⁽⁶⁾	19,692,948	1.58%
	Beneficial owner	8,328,000	0.67%
Mr JIN Zengqin (" Mr JIN ")	Interest in controlled corporation ⁽⁵⁾	24,241,200	1.96%
	Interest in controlled corporation ⁽⁶⁾	19,692,948	1.58%
Mr BAI Zhihuan	Beneficial owner	694,000	0.06%
Mr LIM Kwang Su	Beneficial owner	13,481,181	1.09%
Mr HU Yongxiang (" Mr HU ")	Interest in controlled corporation ⁽⁷⁾	19,285,200	1.56%

DIRECTORS' REPORT

Notes:

- (1) The Shares are owned by Hongzun Int Investment Group Ltd. ("**Hongzun International**"), which is wholly-owned by Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**"). Hongzun Investment is owned as to 99.0% and 1.0% by Mr SU and Ms WANG Huan, the spouse of Mr SU, respectively. Therefore, Mr SU is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Mr SU is the chairman of Hongzun Investment. Mr SU is the sole director of Hongzun Investment and Hongzun International, respectively.
- (2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Mr SU. Therefore, Mr SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Mr SU is the sole director of Ertian International.
- (3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Mr SU. Therefore, Mr SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Mr SU is the sole director of Seven Color Pearl Investment.
- (4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Lianrun LP**") is Mr SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 21 individual equity holders of Guangxi Chesir Pearl Material Co., Ltd. ("**Chesir Pearl**"), who are limited partners and independent third parties, own 167,000 shares of Liuzhou Lianrun LP. Therefore, Mr SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.
- (5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Qise LP**") is Mr SU who owns 10,000 shares of Liuzhou Qise LP. Mr JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 12 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,465,000 shares of Liuzhou Qise LP. Therefore, Mr SU and Mr JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.
- (6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Colorful LP**") is Mr SU who owns 10,000 shares of Liuzhou Colorful LP. Mr JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 10 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 1,772,158 shares of Liuzhou Colorful LP. Therefore, Mr SU and Mr JIN are deemed to be interested in all the Shares held by Liuzhou Colorful LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Colorful LP.
- (7) Mr HU is the sole director of China Banyan Capital INT Holdings Limited who owns 50 shares of China Banyan Capital INT Holdings Limited. The original 12 individual equity holders of Chesir Pearl, who are independent third parties, hold 49,950 shares of China Banyan Capital INT Holdings Limited. Therefore, Mr HU is deemed to be interested in the Shares held by China Banyan Capital INT Holdings Limited.

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which was required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2024, the persons or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholders	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Hongzun International	Beneficial owner	301,155,800	24.31%
Hongzun Investment	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
Ms WANG Huan (" Ms WANG ")	Spouse interest ⁽²⁾	427,057,948	34.47%
Guangxi Energy Co., Ltd. (formerly known as Guangxi Guidong Electric Power Co., Ltd.) (" Guangxi Energy ")	Beneficial owner ⁽³⁾	107,178,000	8.65%
Guangxi Guangtou Zhengrun Development Group Co., Ltd. (formerly known as Guangxi Zhengrun Development Group Co., Ltd.)	Interest in controlled corporation ⁽³⁾	107,178,000	8.65%
Guangxi Investment Group Co., Ltd. (" Guangxi Investment ")	Interest in controlled corporation ⁽³⁾⁽⁴⁾	123,638,000	9.97%

Notes:

- (1) Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Mr SU is the sole director of Hongzun International and Hongzun Investment, respectively.
- (2) Ms WANG was deemed to be interested in all the Shares held by her spouse, Mr SU.
- (3) Guangxi Energy is a listed company on the Shanghai Stock Exchange (stock code: 600310) and is owned as to 33.91% by Guangxi Guangtou Zhengrun Development Group Co., Ltd. (which in turn is wholly-owned by Guangxi Investment) as at 31 December 2024. Therefore, Guangxi Guangtou Zhengrun Development Group Co., Ltd. and Guangxi Investment are deemed to be interested in all the Shares held by Guangxi Energy. Guangxi Investment is wholly-owned by the PRC Government.
- (4) GX Land & Sea Connectivity Holding Ltd ("**GX Land & Sea**") owns 16,460,000 Shares as at 31 December 2024. GX Land & Sea is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership), which is a limited partnership established in the PRC. Guangxi Land & Sea Connectivity Fund (Limited Partnership) is owned as to 49.5% by Guangtou Capital Management Group Co., Ltd. and 49.5% by China Development Bank Capital Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership). Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership) is owned as to 39.6% by Yououbi Investment Management (Shanghai) Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Co., Ltd., which in turn is owned as to 35.0% by China Development Bank Capital Co., Ltd. and 35.0% by Guangtou Capital Management Group Co., Ltd. Guangtou Capital Management Group Co., Ltd. is owned as to 90.0% by Guangxi Financial Investment Group Co., Ltd. and 10.0% by Guangxi Investment. Guangxi Financial Investment Group Co., Ltd. is owned as to 71.4% by Guangxi Investment, which in turn is wholly-owned by the PRC Government. China Development Bank Capital Co., Ltd. is wholly-owned by China Development Bank, which is owned as to 36.5% by the Ministry of Finance of the PRC and 34.7% by Central Huijin Investment Ltd. Central Huijin Investment Ltd. is wholly-owned by China Investment Co., Ltd., which in turn is wholly-owned by the PRC government. Therefore, Guangxi Investment is deemed to be interested in all the Shares held by GX Land & Sea.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other person or corporation having an interests or short positions in the Shares and underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director or other officers of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the FY2024, none of the Directors is interested in any business apart from the Group's business that competes or is likely to compete, either directly or indirectly, with the Group's business.

Deed of Non-Competition

Each of the Controlling Shareholders and the executive Directors has entered into the Deed of Non-competition (the "**Deed of Non-Competition**") on 2 June 2021 in favour of the Company. Detailed information on the Deed of Non-Competition is set forth in the section headed "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

Each of the Controlling Shareholders has made an annual confirmation to the Company that during the FY2024, all the Controlling Shareholders (as defined in the Prospectus) have duly complied with the undertaking provisions under the Deed of Non-Competition. The Controlling Shareholders have also provided the independent non-executive Directors with information on their business activities for review.

The independent non-executive Directors have reviewed the confirmations and information provided by the Controlling Shareholders and are satisfied that the undertaking provisions under the Deed of Non-Competition were fully complied with and enforced during the FY2024.

The Company is not aware of any other matters regarding the compliance and enforcement of the Deed of Non-Competition.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in the section headed "Biographical Information on Directors and Senior Management" of this annual report, there were no other changes in the Directors' information subsequent to the publication of the interim report of the Company for the six months ended 30 June 2024.

DIRECTORS' REPORT

AUDITOR

There has been no change of the auditor of the Company since the Listing Date. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. RSM Hong Kong as the auditor of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Friday, 27 June 2025. The register of members of the Company will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 June 2025.

On behalf of the Board

SU Ertian

Chairman and Chief Executive Officer

Hong Kong, 31 March 2025

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the FY2024.

CORPORATE GOVERNANCE CULTURE AND STRATEGY

The Company understands that corporate culture is the intrinsic driving force for the Company to achieve sustainable development, and that it can unite consensus, give full play to the initiative and creativity of employees, create greater value for the Company, and lay a solid foundation for the Company's sustained and long-lasting development.

The Group's culture is based on four core values: integrity, innovation, leadership and harmony.

"Integrity" refers to honesty, trustworthiness and compliance with the law. We speak of credit and commitment, respect the spirit of contract, follow fairness and justice, comply with professional ethics and corporate rules and regulations, so as to build quality and brand with integrity, win the trust of customers, win the trust of partners, and win social reputation with integrity.

"Innovation" refers to the courage to innovate and pursue excellence. We focus on researching cutting-edge technologies, applying new technologies and equipment, deepening the integration of "industry-academia-research-application" cooperation with domestic and foreign research institutes and universities, accelerating the transformation and application of our own innovations, continuing to promote product research and development, optimising product structure, deepening market expansion, and broadening the room for growth, so as to ensure that the Company's foundation is everlasting.

"Leadership" refers to leadership in talent, technology, market and scale. With the spirit of leadership in every aspect, we will improve the quality standard of our products in all aspects to create a better experience and higher quality value for our customers.

"Harmony" refers to solidarity, co-operation and win-win situation. We adhere to the "people-oriented" principle, respect and care for our employees, provide them with room for development, and realise a harmonious relationship with them. We actively fulfil our social responsibilities and contribute to the building of a harmonious society, so as to achieve a harmonious relationship with the society and a harmonious relationship between technological development and nature.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE REPORT

We have identified and are satisfied with the vision, mission, values and strategies that are integral to the Group's culture and have instilled this culture throughout the Group to guide our daily operations and the behaviour of our employees. The Company believes that this will maximise returns to Shareholders in the long term and will also benefit employees, business partners and the communities in which the Company operates.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the FY2024, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provision C.2.1 which is explained in the relevant paragraphs of this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed that they have complied with the Model Code throughout the FY2024.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

CORPORATE GOVERNANCE REPORT

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

During the FY2024 and up to the date of this Annual Report, the Board comprised the following Directors:

Executive Directors:

Mr SU Ertian (*Chairman and Chief Executive Officer*)

Mr JIN Zengqin

Mr ZHOU Fangchao (*Joint company secretary*)

Mr BAI Zhihuan

Ms ZENG Zhu

Mr LIM Kwang Su (*appointed on 26 September 2024*) ⁽¹⁾

Non-executive Director:

Mr HU Yongxiang

Independent non-executive Directors:

Mr HUI Chi Fung

Professor HAN Gaorong

Mr LEUNG Kwai Wah Alex

Professor CHEN Fadong (*appointed on 26 September 2024*) ⁽²⁾

Notes:

- (1) Mr LIM Kwang Su obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 September 2024, and Mr LIM Kwang Su confirmed that he understood his obligations as a Director.
- (2) Professor CHEN Fadong obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 September 2024, and Professor CHEN Fadong confirmed that he understood his obligations as a Director.

The biographical information of the Directors is set forth in the section headed "Biographical Information on Directors and Senior Management" in this annual report. The relationships between the Directors are disclosed in the respective Director's biography. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

CORPORATE GOVERNANCE REPORT

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance records of the Directors at the Board meetings held during the FY2024 are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr SU Ertian, the Chairman of the Board and the Chief Executive Officer of the Company, currently performs these two roles.

Mr SU has been responsible for formulating overall business development strategies and leading overall operations of the Group and has been instrumental to business growth of the Group. The Board therefore considers that vesting the roles of both chairman and chief executive officer in Mr SU is beneficial to business development of the Group by ensuring consistent leadership and enabling more effective and efficient overall strategic planning. The senior management team and the Board will provide check and balance of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Independent non-executive Directors

During the FY2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set forth in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets forth the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the FY2024, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the FY2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

CORPORATE GOVERNANCE REPORT

During the FY2024, the Company organised training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the FY2024 are summarised as follows:

Directors	Type of Training ^(Note)
Executive Directors	
Mr SU Ertian	A/B
Mr JIN Zengqin	A/B
Mr ZHOU Fangchao	A/B
Mr BAI Zhihuan	A/B
Ms ZENG Zhu	A/B
Mr LIM Kwang Su	A/B
Non-executive Director	
Mr HU Yongxiang	A/B
Independent non-executive Directors	
Mr HUI Chi Fung	A/B
Professor HAN Gaorong	A/B
Mr LEUNG Kwai Wah Alex	A/B
Professor CHEN Fadong	A/B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's websites and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set forth under "Corporate Information" in this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr HUI Chi Fung, Professor HAN Gaorong and Mr LEUNG Kwai Wah Alex. Mr HUI Chi Fung is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set forth in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the FY2024, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

The attendance records of the Audit Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr LEUNG Kwai Wah Alex, Professor HAN Gaorong and Mr ZHOU Fangchao. Mr LEUNG Kwai Wah Alex is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set forth in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met once during the FY2024 to consider the relevant matters regarding the remuneration policy and the remuneration packages of the executive Directors and senior management.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Director and independent non-executive Directors is to ensure that non-executive Director and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Director and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee also made recommendations to the Board on the terms of service contracts or letter of appointment of the new executive Director and independent non-executive Director appointed during the year.

The attendance records of the Remuneration Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

The remuneration paid to the members of the senior management (excluding executive Directors), whose biographical details are set out in the section headed "Biographical Information on Directors and Senior Management" in this annual report, by band for the FY2024 is set out below:

Remuneration Band	Number of Individuals
Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$2,000,000	—
HK\$2,000,001 to HK\$3,000,000	1

Nomination Committee

The Nomination Committee consists of three members, namely Mr SU Ertian, Professor HAN Gaorong and Mr HUI Chi Fung. Mr SU Ertian is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set forth in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the board diversity policy of the Company (the "**Board Diversity Policy**") and the director nomination policy of the Company (the "**Director Nomination Policy**") and assessing the independence of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once during the FY2024 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for re-election at the Annual General Meeting, to review the Board Diversity Policy and Director Nomination Policy and to consider and recommend to the Board on the appointment of executive Director and independent non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

CORPORATE GOVERNANCE REPORT

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- At least one member of the Board shall be female.
- At least one-third of the members of the Board shall be independent non-executive Directors.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male: 10
Female: 1

Age Group

31-40: 2
41-50: 2
51-60: 4
61-70: 2
71-80: 1

Designation

Executive Directors: 6
Non-executive Directors: 1
Independent Non-executive Directors: 4

Educational Background

Business Administration: 3
Account and Finance: 2
Other: 6

Nationality

Chinese: 10
Korean: 1

Business Experience

Accounting & Finance: 2
Experience related to the Company's business: 9

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	9% (1)	91% (10)
Senior Management	0% (0)	100% (4)
Other employees	26.20% (235)	73.80% (662)
Overall workforce	26.08% (235)	73.92% (666)

The Board had targeted to have at least one female director and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on page 92 of this Annual Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

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 Listing Rules and/or applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the FY2024, the Nomination Committee recommended to the Board the appointment of a new executive Director, namely Mr LIM Kwang Su and an independent non-executive Director, namely Professor CHEN Fadong. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

During the FY2024, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Attendance Records of Directors and Board Committee Members

A summary of the attendance records of the Directors at the Board, Board Committee and general meetings held during the FY2024 is set forth below:

Name of Directors	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Mr SU Ertian	4/4	–	1/1	–	1/1
Mr JIN Zengqin	4/4	–	–	–	1/1
Mr ZHOU Fangchao	4/4	–	–	1/1	1/1
Mr BAI Zhihuan	4/4	–	–	–	1/1
Ms ZENG Zhu	4/4	–	–	–	1/1
Mr LIM Kwang Su ⁽¹⁾	0/4	–	–	–	0/1
Mr HU Yongxiang	4/4	–	–	–	1/1
Mr HUI Chi Fung	4/4	2/2	1/1	–	1/1
Professor HAN Gaorong	4/4	2/2	1/1	1/1	1/1
Mr LEUNG Kwai Wah Alex	4/4	2/2	–	1/1	1/1
Professor CHEN Fadong ⁽²⁾	0/4	–	–	–	0/1

Notes:

(1) Mr LIM Kwang Su was appointed as executive Director with effect from 26 September 2024.

(2) Professor CHEN Fadong was appointed as independent non-executive Director with effect from 26 September 2024.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the FY2024.

The independent non-executive Directors and non-executive Director have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company adopted internal control system and risk management system which are designed and implemented to address the specific business needs and operating environment and to minimise the risk exposure of the Group. The Company have adopted different internal guidelines, along with written policies and procedures, to monitor and reduce the risks which are relevant to the control our daily business operations and the improvement in the corporate governance of the Company. The Group's senior management team is responsible for identifying and analysing the risks associated with business operations, preparing risk mitigation plans and assessing and reporting to the Board their effectiveness. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company established an internal audit department (the "**Internal Audit Department**") under the supervision of the Audit Committee. The Internal Audit Department is established to overseeing the daily and effective implementation of internal control measures and reporting to our Audit Committee on any compliance issue and the record of compliance in this respect.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the FY2024.

Based on the results of the internal control review for the FY2024 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the FY2024.

CORPORATE GOVERNANCE REPORT

ANTI-BRIBERY AND CORRUPTION RISK MANAGEMENT

The Company has implemented appropriate policies and procedures to address any potential bribery and corruption issues. All department heads and managers are required to report to the Internal Audit Department any bribery or corruption incidents. The Company has also established a whistle blower policy for reporting any alleged bribery and corruption. The internal anti-bribery and corruption policies and procedures include the following:

- (a) requiring the Company's employees to report any bribery and corruption incident when they became aware of such incident;
- (b) prohibiting the Company's employees and other engaged working parties from receiving bribes, either financial benefit or benefit-in-kind such as gift;
- (c) performing financial and internal audits by the Internal Audit Department and external audit agency on a regular basis to identify any risk of bribery and corruption;
- (d) evaluating the anti-bribery and corruption policies by Internal Audit Department to ensure the effectiveness; and
- (e) providing training to the Company's employees on how to identify and report misconduct.

In case the Internal Audit Department has identified a material risk of bribery and corruption, it will initiate investigation with the assistance from one of the Company's executive Directors. The investigation results will be reported to the Board (including independent non-executive Directors). The Internal Audit Department is required to keep all information about and related to the investigation, including the fact that an investigation has been filed, the nature of the complaint and the persons involved, in strict confidence. The Company also requires all new employees to go through anti-bribery training as part of their orientation training programmes.

Any staff who is in breach of the Company's anti-bribery and corruption policy would be dismissed, and the Company may report the matter to the relevant governmental authorities should there be a violation of the applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the FY2024 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set forth in the "Independent Auditors' Report" of this annual report.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the FY2024 is set forth below:

	Amount (RMB'000)
Audit services	
– by RSM Hong Kong	2,300
– by RSM network firm	1,158
	3,458
Non-audit services	
– Review of interim financial information	680
Total	4,138

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Mr ZHOU Fangchao, an executive Director and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms CHEUNG Ka Lun Karen, a manager of Tricor Services Limited (a company secretarial service provider), as the joint company secretary to assist Mr ZHOU to discharge his duties as company secretary of the Company. Mr ZHOU is the primary contact person at the Company which would work and communicate with Ms CHEUNG on the Company's corporate governance and secretarial and administrative matters.

For the FY2024, Mr ZHOU and Ms CHEUNG have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting and putting forward proposals

Pursuant to Article 58 of the Articles, extraordinary general meetings may be convened by the Board whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal place of the meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 2703, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
(For the attention of the Board of Directors)
Telephone: (852) 3797 7882
Email: zhoufangchao@chesir.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**"). The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

CORPORATE GOVERNANCE REPORT

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on its website (www.chesir.com) and the Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Listing Rules. A notice of publication of the Website Version of Corporate Communications, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Corporate Communications.

For those Shareholders who wish to receive a printed version of all future Corporate Communications or, if for any reason, have difficulty in gaining access to the Company's website, the Company will, upon receipt of request in writing by the Shareholder to the Company's branch share registrar in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to 6616-ecom@vistra.com, send future Corporate Communications and/or the relevant Corporate Communications (as the case may be) to such Shareholders in printed form free of charge.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Websites

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.chesir.com) under the "Investor Relations" section. Other corporate information about the Company's business developments, goals and strategies, corporate news, marketing events and press release in relation to community services will also be available on the Company's websites.

CORPORATE GOVERNANCE REPORT

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at <https://srhk.vistra.com>, or send email to is-enquiries@vistra.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Amendments to Constitutional Documents

During the FY2024, the Company has not made any changes to its Articles. An up-to-date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in the section headed "Directors' Report" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Dear Stakeholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Global New Material International Holdings Limited (the “**Company**” which together with its subsidiaries, collectively, the “**Group**”), I am pleased to present the Environmental, Social and Governance Report (the “**ESG Report**”) of the Group for the year ended 31 December 2024 (the “**FY2024**”) for the purpose of demonstrating the Group’s policies, practices, measures and performance on environmental, social and governance (“**ESG**”) areas.

The Group is committed to implementing various initiatives to address the ESG concerns, recognizing that all of us, as well as our future generations could be affected by ESG issues and sustainability challenges. As such, as an influential listed company, the Board has the responsibility to evaluate and determine the Group’s ESG-related risks and ensure that appropriate and effective ESG risk management and internal control systems are in place. Consequently, sound ESG practices can indeed create value for the Group’s development.

The ESG Report demonstrates the Group’s continuous commitments to strengthen its performances in sustainability, such as environmental performance and targets, corporate governance, community engagement, customers’ satisfaction and employee welfare of the Group.

The Board is responsible for the implementation of ESG initiatives and monitoring of the effectiveness of ESG strategies, directions and policies of the Group. The Board believes that an effective corporate governance structure is important for successfully integrating and managing its sustainability initiatives to drive the Group’s business development. In order to effectively manage and monitor the Group’s ESG performances, the Board has identified the ESG-related issues and potential risks, and would analyse and review the ESG risks and opportunities, performance, progress, goals and the ESG-targets of the Group on a regular basis.

The Board will also ensure the effectiveness of the Group’s ESG risk management and internal control system and actively communicate with internal and external stakeholders to understand their expectations and requirements. The Board believes that the Group’s ESG engagement will significantly benefit the long-term development of the Group. The Board will continue to review and monitor the Group’s ESG performances and provide consistent, comparable and reliable ESG information to the stakeholders on an annual basis.

For and on behalf of the Board

SU Ertian,

Chairman and Chief Executive Officer

Global New Material International Holdings Limited

Hong Kong, 31 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Boundary and Scope

The ESG Report discloses ESG-related policies and initiatives for the core and principal operations (i.e. production, research and development and sales of pearlescent pigment products and mica functional fillers in Guangxi Zhuang Autonomous Region, the People's Republic of China ("**PRC**") and Republic of Korea ("**Korea**"). As of 31 December 2024, more than 90% of the total number of the Group's employees are based in its production facilities and business presence in Guangxi Zhuang Autonomous Region and Korea.

The ESG Report covers key performance indicators ("**KPIs**") of the corporate office ("**office**") and the representative project(s) of the Group during the FY2024 ("**project(s)**").

Reporting Basis and Principles

The ESG Report is prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") as set out in Appendix C2 to the Listing Rules and is based on the four reporting principles - materiality, quantitative, balance and consistency:

- "Materiality" Principle:

The Group identifies material ESG issues by stakeholder engagement and materiality assessment. Details are set forth in the section headed "Materiality Assessment".

- "Quantitative" Principle:

Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used, and provision of comparative data.

- "Balance" Principle:

The ESG Report identifies the achievements and challenges faced by the Group.

- "Consistency" Principle:

The ESG Report is the fourth ESG report of the Group. The ESG Report will continue to use consistent methodologies and environmental performance indicators for comparisons in the following years.

The ESG Report has complied with all "comply or explain" provisions and reported on the selected recommended disclosures outlined in the ESG Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The information contained in the ESG Report is derived from internal documents and statistics of the Group, as well as the control, management, and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section of this ESG Report for reference. The ESG Report is prepared and published in both Chinese and English at the Stock Exchange's website (www.hkexnews.hk) and the Company's website (<http://www.chesir.com>). In the event of contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Review and Approval

The Board acknowledges its responsibility for ensuring the accuracy and completeness of the ESG Report and to the best of their knowledge, the ESG Report has addressed all relevant material issues and has fairly presented the ESG performances of the Group for the FY2024. The ESG Report was reviewed and approved by the Board on 31 March 2025. The ESG Report has also been reviewed by the ESG Committee of the Board, and the members of which include Mr. SU Ertian (苏尔田先生), Mr. JIN Zengqin (金增勤先生), Mr. ZHOU Fangchao (周方超先生) and Mr. BAI Zhihuan (白植焕先生).

Feedback

Should you have any opinion or suggestion on the ESG Report, please feel free to liaise with the Group as follows:

Address: Room 2703, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Telephone: (852) 3797 7882
Email: ir@chesir.com

ABOUT THE GROUP

The Group focuses on the research and development ("R&D"), production and sales of pearlescent materials and synthetic mica. Pearlescent materials are widely used in cosmetics, automobile, coating, plastics, leather, textiles, inks, ceramics and other fields. Synthetic mica is not only the raw material for the production of pearlescent materials, but also for the production of insulating materials, functional fillers, refractory materials and nickel-metal hydride batteries. The Group is the participating unit of the strategic emerging materials - synthetic mica project, "Strong Industrial Foundation Project (工業強基工程)", organised by the Ministry of Industry and Information Technology in the PRC. The Group has mastered the world's leading and core technology for the production of pearlescent materials and synthetic mica, with 156 core patented technologies and formed a complete range of pearlescent materials and synthetic mica products series. Currently, the Group has formed a marketing network covering major countries worldwide, with its products being exported to over 150 countries and regions globally.

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The Group follows the “Dual Carbon Strategy” of the “14th Five-Year Plan” and adopts the concept of “Green Manufacturing and Eco-Enterprise” in promoting sustainable development. The Group’s comprehensive strengths rank among the top in the global pearlescent pigment industry. The Group has received numerous awards, including the “National Green Factory (國家級綠色工廠)”, “Excellence in ESG” under the Hong Kong Corporate Governance & ESG Excellence Award, “Best Case in Social Responsibility Award” at the first China-Europe Corporate ESG Best Case Conference in Frankfurt, “Innovation and Sustainability Award” in 2024 Finance Associated Press Annual Investment Conference and “Best ESG Performance Award” in China Financing Awards.

To build a green and sustainable future, the Group adheres to the principle of the harmonious coexistence with nature by leveraging the core effects of technological innovations. The Group constantly drives sustainable business operations and development through technological innovations, ensuring every product and its production process are environmentally friendly and healthy for our end users, with every colour originates from our lives and nature, safeguarding consumer health and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In FY2024, CQV, the subsidiary of the Group, has made efforts to improve our brand image. Company CEO Kwang Su Lim received an Chungbuk SMEs award in the “Promising Exports Entrepreneur” category from Chungbuk Regional Ministry of SMEs and Startups, in recognition of his achievements in corporate management and strategic planning.



Meanwhile, CQV also participated in UNGC Korea Association ESG Team Leaders Workshop. ESG team leaders from 51 major companies in South Korea shared their competencies and successful case studies in establishing and implementing corporate ESG strategies, fostering valuable networking opportunities and promotion of ESG strategies and management development. We will continue to strive to enhance the competitiveness of the Company's products and services in the international market, and constantly explore new market opportunities to achieve sustainable development of the Company.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

The Board is committed in fulfilling its ESG responsibility and has the overall responsibility to implement and monitor the effectiveness of the Group's ESG strategies and reporting systems. The Group has established the Corporate Governance System Policy (企業管治制度), Environmental Protection Management System Policy (環境保護管理制度), and the Social Responsibility Management System Policy (社會責任管理制度).

The terms of reference of the ESG Committee include the following:

ESG Committee, established by the Board of Directors

- Oversees the ESG strategies, policies, objectives and targets
- ESG Committee to identify material environmental, social and governance topics through review and assessment of internal operations
- Develops and reviews the Group's ESG responsibilities, vision, strategies, frameworks, principles and policies
- Enhances the materiality assessment and reporting process, ensuring the implementation and enforcement the ESG policy approved by the Board on a continuous basis
- Reviews and approves the Company's ESG goals, and regularly reviews the achievement of ESG goals
- Reviews the ESG megatrend and related risks and opportunities, and assesses the adequacy and effectiveness of the Group's ESG-related structure and business model
- Adopts and updates the Group's ESG policies as necessary and ensures that these policies are current and in compliance with applicable laws, regulations and regulatory requirements and international standards.

ESG Working Group

- Follows and reports to the Board and top management regarding the ESG strategies, and proposes ESG initiatives for achieving the sustainability objectives
- Engages and communicates with stakeholders for performing materiality assessment and formulating ESG strategies and initiatives
- Coordinates with staff for the delivery of ESG initiatives
- Determines the KPIs for measuring the performances under ESG requirements

Department Heads and Employees

- Records and monitors ESG KPIs
- Implements ESG policies and related initiatives

The ESG Committee reviews and evaluates the Group's ESG performances on a regular basis, and the annual ESG Report is reviewed and approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation of the Group's sustainable development and success. Stakeholder engagement helps the Group to formulate strategies which meet the needs and expectations of the stakeholders, thereby enhancing the ability to identify potential risks, and strengthen important relationships. The Group actively communicates with its stakeholders through various channels, as set forth below.

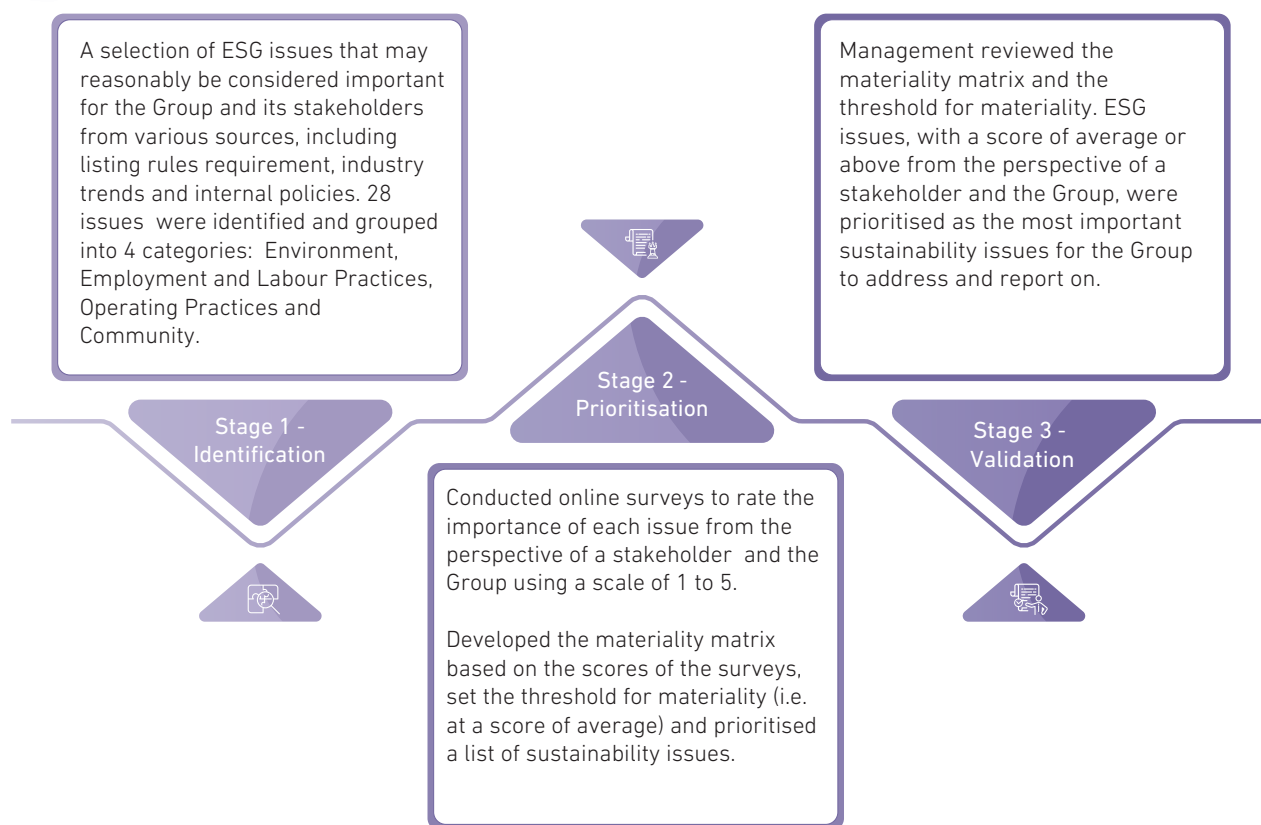
Stakeholders	Communication Channel
Government and Regulatory Agencies	<ul style="list-style-type: none"> • Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholders and Investors	<ul style="list-style-type: none"> • Annual general meetings and other general meetings • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employees	<ul style="list-style-type: none"> • Training • Meetings • Performance evaluation • Surveys
Customers	<ul style="list-style-type: none"> • Fax, email and telephone • Meetings
Suppliers/Subcontractors/ Business Partners	<ul style="list-style-type: none"> • Meetings • Site visits • Surveys • Trainings
Community or Non-governmental Organisations (NGOs)	<ul style="list-style-type: none"> • Sponsorships and Donations • ESG reports
Media	<ul style="list-style-type: none"> • Enquiry mailbox

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In preparing the ESG Report, the Group directly engaged with the above stakeholders as part of the materiality assessment process to identify and prioritise the issues which would have significant impact on the Group's business and its stakeholders to be included in the ESG Report.

Process



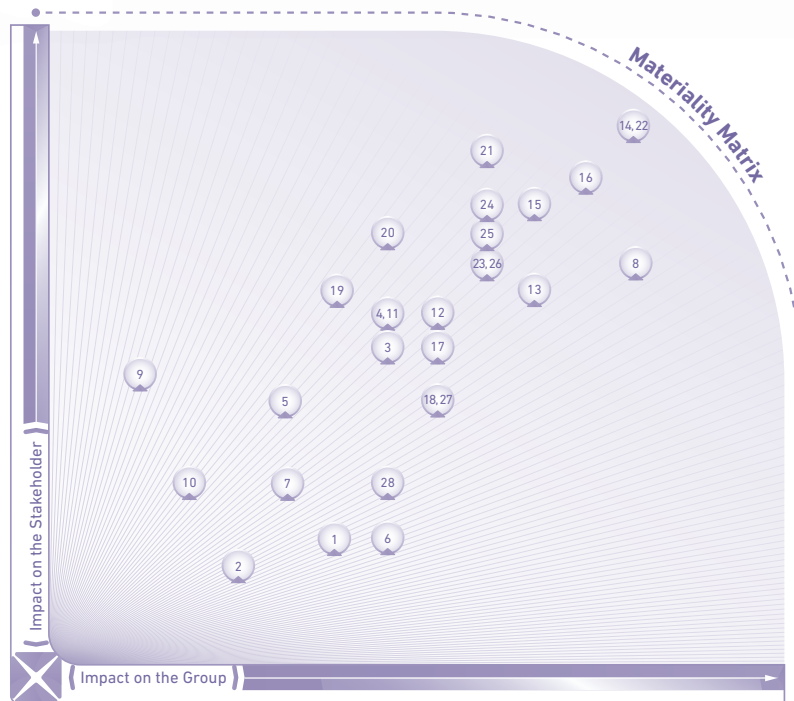
Materiality Matrix

Based on the materiality matrix, the Board believes that the most pertinent sustainability issues which are material to both the Group and its stakeholders include the following:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix



1 Air Emissions	11 Employment Practices	21 Customer Satisfaction
2 Greenhouse Gas ("GHG") Emissions	12 Diversity and Equal Opportunities	22 Intellectual Property
3 Effluents Management	13 Anti-discrimination	23 Safety of Services/Products
4 Waste Management	14 Staff Occupational Health and Safety	24 Quality of Services/Products
5 Energy Efficiency	15 Staff Development and Training	25 Business Ethics
6 Water Efficiency	16 Prohibition of Child Labour and Forced Labour	26 Anti-corruption Training for Management and Employees
7 Use of Materials and Packaging Materials	17 Responsible Supply Chain Management	27 Contributions to the Society
8 Environmental Compliance	18 Environmental Friendliness on Products or Services Purchased	28 Communication and Connection with Local Community
9 Land Use, Pollution and Restoration	19 Compliance with Regulations on Marketing, Product and Service Labelling	
10 Climate Change	20 Customers' Privacy and Confidentiality	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR ENVIRONMENT

Sustainability Overview and Management Objectives

The Board believes that the success of the Group is built upon adhering to sustainability development principles and providing high-quality products to customers. Additionally, the Group strives to preserve the surrounding environment and support the communities through its social responsibility practices.

The Group has established a set of management policies and adopted various environmental protection and natural resources conservation measures to ensure the sustainable development and operation of its business. In the meantime, the Group's environmental management system was accredited with ISO 14001:2015 certification. The Group actively manages its business in an environmentally and socially responsible manner based on the policies adopted. The following sections present a summary of these policies and their implementation during the FY2024.

Guangxi Chesir Pearl Material Co., Ltd., which is the principal subsidiary of the Group, was accredited as a "Green Factory" (綠色工廠) by the Ministry of Industry and Information Technology of the PRC (國家工業和信息化部) for its adoption of effective measures to control the disturbance to the surrounding environment and as a recognition for realising green development vision and targets through technological innovation. Each product of the Group is healthy, environmentally friendly and safe, contributing to the promotion of sustainable development.



With the accelerated upstream and downstream deployment of high-end production capacity, various major projects have been successfully implemented, and the Company's Chesir Phase II pearlescent material factory officially commenced its production in February 2024. This green production base was built by adopting globally advanced technology and the highest environmental standards. Equipped with advanced production management platform data centre, it has achieved intensified, process-oriented, standardised and intelligent management.

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In addition, the Group promotes energy savings and carbon reduction and is committed to achieving sustainable business operations. To this end, the Group has set clear yearly and long-term emission reduction targets. For long-term reduction targets, compared with the 2021 baseline, the Group strives to achieve the following targets by 2027:

- To further optimize product structure and resources consumption structure, air emission intensity per unit of production will reduce by about 10%; hazardous and non-hazardous waste disposal per unit of production will reduce by about 20%; and water consumption intensity per unit of production will reduce by about 30%, so as to reduce the impacts of pollutants discharge on the environment and climate.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As the major production and operations of the Group are based in the PRC and Korea, its business operations are subject to the local environmental laws and regulations. To comply with the relevant environmental laws and regulations and minimise the impact to the environment, as well as to report on the environmental and social aspects of the Group's business operations, the Group has established the ESG Committee and Working Group to identify the relevant environmental risks and opportunities and set clear environmental targets. Meanwhile, the Group has developed a series of environmental management programs and policies for the purpose of identifying the key aspects of the Group's operations (the "**Key Aspects**") which may have significant impacts on the environment in light of applicable laws and regulations.

- Pollution Prevention and Control Management System (污染防治管理制度)
- Environmental Protection Management System (環境保護管理制度)
- Waste Emission Reduction Management System (廢棄物減排管理制度)
- Company Greenhouse Gas Emissions Management Guide (公司溫室氣體排放管理規定)
- Greenhouse Gas Emissions Management Policy (溫室氣體排放管理政策)
- Chesir Energy Management System (七色珠光能源管理制度)
- Energy Management Target Indicators (能源管理目標指標)
- Special Contingency Plan for Environmental Emergencies (突發環境事故專項應急預案)
- Contingency Plan for Environmental Pollution Emergencies (突發環境污染事故應急預案)
- Contingency Plan for Environmental Emergencies (突發環境事件應急預案)
- Environmental Management Policy (環境管理政策)

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As required by the ESG Committee, representatives from each department within the Group meet regularly to review its key processes and identify possible Key Aspects underlying the operation of the concerning departments. The Group's Safety and Environmental Department (安全環境部) is responsible for establishing and managing the Group's Environmental Protection Management Network (環保管理網絡). They will then discuss with the ESG Committee members and senior management regarding any Key Aspects identified, and design appropriate measures aimed at reducing the environmental impacts arising from such Key Aspects. These measures will be documented, and the relevant personnel will be provided with suitable training. Regular supervision and reporting to the senior management are conducted to ensure effective implementation of the measures. The Safety and Environmental Department is also responsible for educating and providing training to staff to enhance their knowledge and skills regarding environmental protection.

EMISSIONS AND WASTE GENERATION

Air Emissions

Vehicle emission was the Group's major source of air emission for the financial year. In addition, the Group conducted regular inspection for its boilers¹. The principal types of emission and waste generated from the Group's business operations are set forth below and the Group considers that the emission and waste would not have any significant adverse impact on the environment.

Vehicle emission data of Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and Particulate matter (PM) are set forth in the table below:

Air Pollutant ²	Unit	2024	Compared to 2023
Nitrogen Oxides ("NO _x ")	kg	10.41	50.03%
Sulphur Oxides ("SO _x ")	kg	0.29	-6.81%
Particulate Matter ("PM")	kg	0.90	42.63%

The Group will continue to improve its internal data collection mechanism for a complete disclosure in the coming years.

¹ Examined annual emission for boilers was 4.1814m³ for 2024, representing an approximate 9% decrease compared to 2023.

² The estimation is based on "Technical Guidelines for Compiling the Air Pollutant Inventory of Road Mobile Vehicles (Trial)" (「道路機動車大氣污染物排放清單編製技術指南(試行)」) issued by Ministry of Environmental Protection of the PRC and "How to Prepare an ESG Report" and its attachment "Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong.

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Waste Generation

- **Non-hazardous waste: The Group's production facilities and office operations generate non-hazardous sludge, paper, household waste, food waste, and other related wastage**

Non-hazardous domestic wastes and non-hazardous sludge are generated in the Group's production facilities and office operations. Non-hazardous sludge is generated from production processes and general refuse such as paper, plastic bags, and plastic bottles are generated from office operations. Sludge is generally generated from wastewater treatment tank sedimentation, collected by the contractor and reused to manufacture bricks. Household wastes and food wastes from the staff canteen are generated from production facilities and business presence in Guangxi Zhuang Autonomous Region. The food leftovers from the staff canteen are collected for reuse, such as poultry feeding.

The Executive Department of the Group is responsible for handling office and domestic wastes (including used batteries, toner cartridges, ink cartridges, fluorescent tubes and general refuse). Domestic wastes discharged by our production facilities and offices in ordinary means are in compliance with regulations including the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the requirements of "Pollutant Control Standards for Domestic Waste Landfills" (《生活垃圾填埋場污染物控制標準》), "Pollutant Control Standard for Domestic Waste Incineration" (《生活垃圾焚燒污染物控制標準》) and Korea's "Wastes Control Act" (《廢物管制法》).

Wastes³ generated from the Group's production facilities and business presence are as follows:

Wastes	Handling Method	Unit	2024	Compared to 2023
Non-hazardous Wastes*	Handled by Contractors	tonnes	8,921.39	4.77%
Total		tonnes	8,921.39	4.77%
Intensity		tonnes per square meter floor area	0.118	4.77%
Wastewater	Discharged	m ³	964,150	30.28%

Note:

- * Non-hazardous wastes are mainly referring to sludge.

Looking ahead, the Group will continue to refine its wastes reduction measures and disclose relevant results where appropriate. The Group will perform sample testing regularly to ensure the parameters outlined by the wastewater discharge license are fulfilled before discharging to the municipal wastewater treatment plant for further treatment. We will also seek continuous improvement in waste and wastewater management performance by setting appropriate goals and objectives in the future after further assessment.

³ Korea CQV factory generated 60.28 tonnes of hazardous wastes in 2024.

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The Group's waste management strategy focuses on legal disposal, reduction and reuse of wastes. All waste disposals and processing must be carried out by government-certified service providers pursuant to PRC and Korea laws and regulations. Recyclable wastes are collected according to classifications and are delivered to the qualified vendor where appropriate.

- **Greenhouse gas (GHG) emissions which include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O)**

Greenhouse gases emitted by the Group are from the use of electricity and fossil fuels within the production facility in Guangxi and Korea. Since the catering facility of the Group in Guangxi is currently using Liquefied Natural Gas (LNG) and electricity, it will not generate significant smokes and fumes. Greenhouse gases are also derived from vehicles providing transfer services for guests who visit our production facility and offices as well as vehicle usage during the delivery of our products to customers. All PRC motor vehicles used for employee commuting and other business purposes are petrol vehicles that have achieved the national emission standard "National Phase V" (國五). Meanwhile, the Group has adopted the use of electrical carts for transportation purpose within the production facility to reduce direct emission of GHG.

Greenhouse Gas (GHG) Emissions

In response to the community's increasing concern on GHG emissions, climate changes, and other related issues, the Group is committed to implementing and maintaining a high standard of GHG management. The below table sets forth the key statistics relating to GHG emissions⁴ of the Group. The GHG emissions⁵ are as follows:

	Unit	2024	Compared to 2023
Scope 1 ⁶	tonnes CO ₂ -equivalent	44.74	-15.22%
Scope 2 ⁷	tonnes CO ₂ -equivalent	92,102.34	10.36%
Offset ⁸	tonnes CO ₂ -equivalent	(7.22)	—
Total	tonnes CO ₂ -equivalent	92,139.86	10.33%
Intensity	tonnes CO ₂ -equivalent per floor area (m ²) ⁹	1.22	10.33%

⁴ GHG emission data is presented in carbon dioxide equivalent while GHG emissions during the FY2024 were calculated based on the amount of electricity and fuels consumed and the relevant emission factors.

⁵ The calculation of greenhouse gas emissions refers to the "General Guideline of the Greenhouse Gas Emissions Accounting Method and Reporting of Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》)" issued by the National Development and Reform Commission, the "Electricity Carbon Dioxide Emissions Factors (《電力二氧化碳排放因子》)" issued by the Ministry of Ecology and Environment of the People's Republic of China, the "Korea Greenhouse Gas Inventory Report" published by the Korea Greenhouse Gas Inventory and Research Centre and the "Grid Emission Factor Inventory" published by the Institute for Global Environmental Strategies.

⁶ Scope 1: Direct emission from the business operations owned or controlled by the Group.

⁷ Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

⁸ Offset: Greenhouse gas emission offset by trees newly planted by the Group.

⁹ Covers the Group's production facilities and business in Guangxi Zhuang Autonomous Region.

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Scope 2 emission from indirect energy emission of purchased electricity accounted for over 90% of our total emissions. The Group will constantly adhere to national energy work policies and energy management standards, formulate and implement energy management system, striving to conserve energy and enhance energy efficacy. In the meantime, the Group will continue to assess, record, and disclose its GHG emissions annually and continue to refine the data collection system and develop appropriate reduction strategies based on the projection of data in the coming years.

- **Measures undertaken to reduce emission and waste generation**

To minimise the environmental impacts brought by the mentioned emissions and wastes, the Group has adopted the following measures during the FY2024 to align with its “Pollution Prevention and Control Management System” (污染防治管理制度), “Environmental Protection Management System” (環境保護管理制度) and other related policies:

- o Setting yearly emission limitation targets for pollutants (such as NO_x from boiler emission; water consumption, COD, ammonium-nitrogen and total phosphorus in domestic wastewater discharge; noise nuisance from equipment; and sludge treatment in “Hazardous and Non-hazardous Waste Emission Reduction Management Systems” (有害及無害廢棄物減排管理制度);
- o Utilising electric vehicles within the production facility as opposed to fossil fuel-powered vehicles to reduce emissions at the sources;
- o Developing a better understanding of the Group’s suppliers and taking into account their environmental and social responsibility practices. Please refer to the sub-section headed “Social Responsibility Operational Practices – Supply Chain Management” below for further details; and
- o Periodically arranging environmental compliance inspections to ensure the Group’s compliance with the applicable PRC environmental laws relating to the Group’s operations.

In addition, the Group implements comprehensive management of personnel and equipment in each business premises, while managing risks related to air quality enhancement. Regular training is provided to on-site personnel regarding air pollution and emission management to enhance their awareness and practical performance in managing air pollutants. In addition, we also manage and optimize the operation of air pollution prevention and control facilities to minimize emissions of air pollutants. We not only utilize low-NO_x boilers but also adopt “Power Demand Control” to operate motor inverter systems to achieve energy saving. In pursuit of carbon neutrality, the Group has also switched from liquefied petroleum gas fuel to more environmentally friendly liquefied natural gas to further reduce carbon emissions. Despite the higher cost of LNG, it aligns with our corporate commitment to environmental concerns.

For policies and measures undertaken by the Group to reduce the use of electricity, please refer to the paragraph headed “Resources consumption — Electricity” below.

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ENVIRONMENTAL COMPLIANCE

After the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) came into effect on 1 January 2018, the Group is subject to the obligation to pay environmental pollution tax for pollutants directly discharged to the environment, such as air pollutants and water pollutants.

During the FY2024, the Group has complied with the following laws and regulations:

- Environmental Protection Law of the PRC (《中華人民共和國環境保護法》);
- Energy Conservation Law of the PRC (《中華人民共和國節約能源法》);
- Circular Economy Promotion Law of the PRC (《中華人民共和國可循環經濟促進法》);
- Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》);
- Ambient Air Quality Standards of the PRC (《中華人民共和國環境空氣質量標準》);
- Boiler Air Pollutant Emission Standards of the PRC (《中華人民共和國鍋爐大氣污染物排放標準》);
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》);
- Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》);
- Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》);
- Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》);

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- Water Law of the PRC (《中華人民共和國水法》);
- Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》);
- Framework Act on Environmental Policy (《環境政策基本法》);
- Environmental Impact Assessment Act (《環境影響評價法》);
- Environment Dispute Mediation Act (《環境糾紛調解法》);
- Clean Air Conservation Act (《大氣環境保全法》);
- Water Environment Conservation Act (《水質和水體保全法》);
- Wastes Control Act (《廢棄物管理法》);
- Toxic Chemicals Control Act (《有害化學物質管理法》); and
- Other relevant environmental laws and regulations in all material respects.

During the FY2024, the Group was not aware of any significant non-compliance issues regarding emission, noise, waste disposal, and sewage discharge. The Group believes that the emissions, disposed wastes, and discharged sewage during our business operation do not pose material impact on the surrounding environment.

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ENVIRONMENTAL IMPACTS FROM OUR OPERATIONS AND MITIGATION MEASURES

The generation of air pollutants, GHG, noise emissions and sewage discharge from the operation of our production facilities in Guangxi complies with the requirements under the relevant PRC laws and regulations. In order to minimise the environmental impact of the Group's business operation to the surrounding environment, the Group has established the "Pollution Prevention and Control Management System" (污染防治管理制度) and "Environmental Protection Management System" (環境保護管理制度), and also developed yearly emission limitation targets for specific pollutants in "Hazardous and Non-hazardous Waste Emission Reduction Management Systems" (有害及無害廢棄物減排管理制度).

List of Hazardous and Non-hazardous Waste Emission Reduction Management Systems applicable to PRC business premises in FY2024 is set forth below:

Types of Pollution Prevention and Control Measures			2024 Targets	Compliance
Air Pollution	Boiler Exhaust Gas	Exhaust Gas Volume	3500m ³ /a	✓
		NO _x	4.2t/a	✓
Water	Production and Domestic Wastewater	Wastewater Consumption	960,000m ³ /a	✓
		CODcr	6t/a	✓
		Ammonium-Nitrogen	2t/a	✓
		Oil & Grease	Insignificant	✓
		Total Phosphorus	Insignificant	✓
		L _{Aeq}	A	✓
Noise	Noise Level from Equipment			
Solid Waste	Wastewater Treatment Sludge		8,000t/a	✓

During the FY2024, to the best of the Directors' knowledge, the Group has achieved all yearly emission limitation targets, and no complaint was received from its customers or other parties in respect of environmental protection issues. In addition, the Group has not experienced any material environmental incidents arising from its business operations. During the FY2024, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

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Natural Resources

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations to develop an energy-efficient culture. "Chesir Energy Management System" (七色珠光能源管理制度) is established according to the national energy work policies and energy management standards, with an aim to save energy, reduce material consumption, eliminate waste, further improve energy utilization efficiency, and utilise resources safely and reasonably while considering the actual needs of the Group's production and material consumption.

The Group has been identifying environmental issues in various areas from its business planning stage and actively formulates measures to deal with environmental risks. In addition, in order to implement environmental management, we annually formulate and implement facility improvement investment plans to reduce energy consumption and greenhouse gas emissions. Under these policies and practices, the Group has established 2 strategic directions: energy conservation and emission reduction, and environmental management through the establishment of eco-friendly infrastructure. Concrete projects are underway to achieve the feasibility of these strategies.

The principal types of resources utilised by the Group in the operation and management of production facility and offices during the FY2024, and the measures undertaken by the Group to promote efficient usage are discussed below:

Water Consumption and Efficiency

Freshwater is an indispensable resource on earth. The Group's office utilised an insignificant amount of water resources as compared to domestic water usage. During the FY2024, the aggregate volume of water for production and domestic water consumed within the Group's facilities and office amounted to approximately 4,225 thousand cubic metres.

	Unit	2024	Compared to 2023
Water	thousand cubic metres	4,224.83	28.80%
Intensity	thousand cubic metres per square meter floor area	0.06	28.80%

In order to ensure efficient and sustainable use of water resources, the Group has closely monitored the usage of water resources, adopted internal guidelines and provided staff education to promote water conservation, as well as routinely inspects and upkeeps water supply facilities. In addition, we reduce water consumption in high-water-consuming processes by reusing water and using it for other activities. For example, wastewater and septic tank water are 100% reused for pond replenishment. We also collect rainwater and use it for septic tanks.

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Energy Efficiency

Electricity is necessary for the operation of offices and production facilities and serves as a primary source of energy consumption. The Group has adopted an internal policy during the FY2024 to promote conservative energy uses. Under the policy, the usage of electricity in our production facility is continuously monitored. Clear guidelines on the operating hours and energy-saving measures in respect of electrical appliances such as office equipment, lighting and air conditioning facilities in the Group's public areas have been established. To monitor the usage of electricity effectively, we collect and analyse electricity use data in the monthly meeting.

Various types of equipment used in the industrial sector are one of the main sources of energy consumption and they usually exhibit low energy efficiency. In view of this, the Group has introduced pumps, dust collectors, air compressors and other equipment with higher energy efficiency and lower power consumption at major operational sites, resulting in energy savings and reductions in greenhouse gas emissions. Moreover, the Group made use of solar energy for operating purposes, enabling carbon emission reduction.

The Group's energy utilisation data during the FY2024 is as follows:

	Unit	2024	Compared to 2023
Direct Energy Consumption (Excluding Solar Energy)	MWh	177.32	-12.23%
Direct Energy Consumption (Solar Energy)	MWh	317.52	-0.54%
Indirect Energy Consumption	MWh	145,579.27	11.59%
Total Energy Consumption	MWh	146,074.11	11.53%
Intensity	MWh per square meter floor area	1.93	11.53%

Paper and Packaging Materials

The paper used by the Group is primarily for general use within the Group's offices and internal operations. Paper waste is the major source of our non-hazardous waste in offices.

Papers are also consumed in Group's offices for research and development, design and clerical work. To promote efficient paper usage, the Group has established the following measures:

- Introduced and promoted the concept of "Green Factory" and "Green Office" in the Group; and
- Put in place internal guidelines and systems regarding paper conservation. Under these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, paperless internal correspondences, etc. have been implemented.

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During the FY2024, the raw material purchased by the Group is as follows:

	Unit	2024	Compared to 2023
Paper Consumption	kg	5,271.29	27.63%

For the financial year, the Group recycled 1,531.68 kg of paper.

The Group has been pursuing efforts to reduce usage of packaging materials and avoid unnecessary packaging. The amount of packaging materials used by the Group for the financial year were 1,309.19 tonnes of paper products and 255.15 tonnes of plastic.

Investment in Environmental Management

To develop a better and greener environment, in FY2024, the Group planted 314 trees as well as lawn shrubs in the Guangxi Production Plant. To integrate renewable energy into the power grid in its production facility area and achieve the goal of energy conservation and emission reduction, the Group's rooftop distributed photovoltaic project construction is predicted to be completed in the first half of 2025. This project will continue to expand to other newly constructed factories to achieve green production. Upon the project completion, it is expected to generate 5 million kWh of electricity per year, equivalent to saving 1,550 tonnes of standard coal. This initiative will reduce electricity cost for production, enabling the Group to achieve cost savings exceeding a million dollar yearly. The Group has reserved funds for its environmental management including monitoring and testing, cleaning, wastewater treatment, greening, and maintenance. The Group will persist in investing in low-carbon, sustainable production methods and product development.

"Low carbon and environmental protection" has become an important developing trend in the pearlescent material industry. With a prevailing trend of climate change and new energy applications, pearlescent material specified for solar photovoltaic cell panel was developed to be applied to the solar absorber layers or coatings of solar panel to improve its performance. This kind of novel pearlescent material has specific optical and thermal properties designed to optimise solar absorption and conversion efficiency, as well as extend the useful life of solar panel. The new "low-carbon, environmentally friendly" pearlescent material for solar panels developed by CQV, a subsidiary of the Group, has the characteristics of high reflectivity, thermal stability, weather resistance and excellent optical performance in the solar spectrum, which not only gives solar panels a better visual experience, but also improves their light absorption performance.

Moreover, colored solar panel has a wide range of application opportunities within the curtain wall sector. Following the rising expectation for building aesthetics and energy saving requirements, Building Integrated Photovoltaics (BIPV) market has experienced a significant growth. Nevertheless, traditional photovoltaic panel's monotonous color can hardly fulfil the modern building aesthetics. In comparison, colored solar panel has specific optical properties able to display multiple colors by adjusting irradiation angle and intensity, perfectly fuses with each building styles. It also equips with both electricity generation and decorative functionality, making the architecture stands out among the others. Besides, its weather and UV resistance enable it to operate consistently regardless of natural erosion in a long run, providing clean energy for the building and promoting low carbon and environmental protection.

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In addition, the Group will optimize factory operations and create smart factories by using technologies such as artificial intelligence, big data, and the Internet of Things. The application of technology can also contribute to environmental management. These technologies can assist companies in achieving goals in energy conservation and emission reduction, production optimization, predictive maintenance, smart supply chain management, and environmental monitoring and governance, thereby reducing resource waste, lowering carbon emissions, saving costs, and enhancing the enterprises' sustainable competitiveness.

Climate Change

Climate change is currently one of the biggest global challenges faced by society, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus around the world. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides and floods can cause serious damage to assets such as buildings, warehouses and goods in storage which results in material financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The Group has made reference to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations to provide transparent and credible climate-related information to stakeholders, including investors and capital providers. The Group's business units have also strengthened the analysis on specific risks and opportunities to the pearlescent pigment industry resulting from climate change.

The Group understands that climate change may have significant impacts on our operations. To better understand the potential impacts of climate change on our business operation, we have conducted climate scenario analysis for two horizons, 2030 and 2050, under the following pathways:

- (1) RCP2.6, SSP1, and IEA Sustainable Development Scenario supplemented by the Net-Zero Emissions by 2050 case
- (2) RCP8.5, SSP5, and IEA Stated Policies Scenario

The scenario analysis includes all the businesses under the Group's operational control. Based on the Group's business nature, we have identified the following parameters that are most relevant to our operations.

- a) Renewable energy – The proportion of renewable energy used by the Group affects the amount of carbon offset required and GHG emissions.
- b) Electric vehicles (EV) – The cost required for replacing existing fleets with EVs and the cost-savings brought by utilizing EVs.
- c) Extreme weather – The increase in the frequency of extreme weather (e.g. heavy rainstorm signals and typhoons) may affect the Group's business operations and future income.

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The Group will gradually increase the usage of renewable energy, and it is expected that EVs will dominate the global car and light truck market by 2060. In the future, most of the private cars owned by the Group will be shifted to EVs, and we have already installed new energy EV charging piles next to the gate of the facilities. Meanwhile, the Group will encourage its employees to use new energy EV for traveling. Therefore, we do not expect that relevant policies and price fluctuations will result in significant impact on the Group.

The Group essentially plans to respond to local government initiatives and follows local governments' emission reduction requirements. The Group aims to reduce emissions by around 10% by 2027 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. The Group's target is to achieve carbon neutrality by 2060 in the PRC. The Group is committed to continuously improving energy efficiency, applying professional knowledge to improve on-site efficiency, and maintaining efficient management support.

Action on Climate Change

Action on responding to climate change is embedded in the Group's business strategy and is reflected in the governance and management processes of the Company. The index table below outlines the core elements of the Group's response to the TCFD recommendations in this ESG Report.

Core element	The Group's response
Governance	<ul style="list-style-type: none"> Setting up ESG Committee and carrying out regular meeting Integrating ESG topics (including climate-related issues) in corporate decision making
Strategy	<ul style="list-style-type: none"> Understanding climate risks through scenario analysis Identifying risks and opportunities in the low-carbon transition
Risk Management	<ul style="list-style-type: none"> Risk Management Committee to discuss ESG risks Preparing for the transition to a low-carbon economy Implementing measures to eliminate physical climate risks
Metrics and Targets	<ul style="list-style-type: none"> Investing in transition enablers Creating value in the low-carbon transition

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When developing these scenarios, the Group has identified a series of climate-related risks and opportunities relevant to its assets and services which are significant to the Group's business operation. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short-term (0 – 1 year)	<ul style="list-style-type: none"> Physical risks from extreme weather events Securing the skills and capability required to implement climate strategy 	<ul style="list-style-type: none"> New services to help communities decarbonize New technologies to enhance the performance of operation and energy efficiency
Medium-term (5 years)	<ul style="list-style-type: none"> Transition risks - Implementation of low-carbon policies for the operation Transition risks - Supply and demand for certain commodities, products, and services may change as climate-related risks and opportunities are increasingly considered 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets Opportunities arising from transition enablers
Medium to long-term (5+ years)	<ul style="list-style-type: none"> Transition risks - Potential new regulations and policies Transition risks - Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness Transition risks – the Group's reputation may be impacted due to changing customer or community perceptions of the Group's contribution to or detraction from the transition to a lower-carbon economy 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets Opportunities arising from transition enablers To work as a pioneer in the industry and build up the relevant reputations

Physical climate risks can potentially damage the Group's assets or directly interrupt the production of pearlescent pigment products. As such, the Group has set up a range of measures to enhance its resistance against physical climate risks, including the "Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製說明) and "Contingency plans for natural disaster incidents" (自然災害事故專項應急預案) for extreme weather or emergency.

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The Group also supports the 17 Sustainable Development Goals (SDGs) and the 10 key principles of the United Nations Global Compact (UNGC), and strives to put them into practice, including climate action, supporting a precautionary approach to environmental challenges, promoting greater environmental responsibility, and encouraging the development and diffusion of environmentally friendly technologies.

Transition risks can potentially increase the Group's operational cost and legal risks due to the change of policy, technological development, digitalization and the Group's reputation due to public perceptions. The Group has already identified the relevant risks and will keep monitoring the market and policy updates regularly. The Group has also planned to invest according to the market demands and take this as an opportunity for its long-term development.

Over the years, the Group has implemented a series of measures along its value chain to assist the Company in addressing extreme weather events. Tailored measures are adopted based on the type of assets, locations and relevancy. These are summarised in the table below:

Relevant Part of the Value Chain	Relevant Measures
Supply Chain Operation	<p>Diversify material and food supply from multiple suppliers, sources and countries</p> <p>Monitor and inspect assets regularly</p> <ul style="list-style-type: none"> - Maintain a Contingency Plan for all facilities <p>To address extreme heat and increased temperature:</p> <ul style="list-style-type: none"> - Maintain cooling equipment in good conditions - Refurbish cooling towers to improve efficiency in the long term - Review working hours of workers to provide better working environment - Increase drinking fountains for employees and workers <p>To address the risk of water shortage and drought:</p> <ul style="list-style-type: none"> - To maintain water tank(s) in facilities - Purchase drinking water with sufficient storage <p>To address flooding risks:</p> <ul style="list-style-type: none"> - Build protection walls for facilities and run-off water storage - Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates, and flood barriers - Put in place additional coverage with tarps, grass planting, and drainage works to avoid soil erosion - For assets that are downstream of dams, continuous control and monitor river rate flow, and maintain regular communication with the local authority on its flood discharge schedule and flowrate

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Relevant Part of the Value Chain	Relevant Measures
Retails Business and Services	<p>Through engagement events, inform customers of the initiatives already undertaken to increase system resilience</p> <ul style="list-style-type: none">- Establish an extreme weather response protocol and coordinating system and conduct regular drills and post-extreme weather incident reviews to ensure smooth execution of contingency plans- Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply- Enhance the communication capacity of customer services, particularly post-incident customer communication

Path to 2060

The Group is prepared to address the threats climate change poses both to its business and the communities that it serves, and has laid out a transparent trajectory of the performance against the trajectory required to meet a science-based target. The Group is determined to deliver and provide safe, reliable and affordable pearlescent pigment products for its customers, and we are fully aware of the importance of environmental responsibility. We are committed to continuous improvement and will progressively strengthen relevant goals, aiming to review our carbon reduction targets at least once every five years. Moreover, we will continue with energy conservation and emissions reduction efforts, technological upgrades and greening initiatives such as tree planting, lawn establishment, and shrubbery planting at our new Phase 2 Production Plant.

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OUR PEOPLE

Group Policies Relating to Corporate Social Responsibility Practices

Employees are the foundation of the Group's success and development. We consider human resources as the most important asset and the Group is committed to ensuring the health, safety, and general welfare of its employees at work. In addition, the Group not only provides various job-related seminars, workshops, and training courses for the employees' continuous professional development, but also adopts various social responsibility practices for supporting the community and upholding the Group's business integrity.

Employment Management Policies and Systems

The Human Resources Department is established for the management of employment policies in the Group. The "Employees' Handbook" (員工手冊), "Human Resources System" (人力資源制度) and "Employment Code" (僱傭規章) provide the terms, guidelines, and arrangements on remuneration, dismissal, recruitment, promotion, working hours, rest periods, leaves, labour health and safety, insurance benefits, labour discipline, diversity, equal opportunities, anti-discrimination, other benefits and welfare to the Group's employees.

Recruitment and Dismissal

Recruitment is required in the event of staff replacements, identification of new positions, or an increase in workload or responsibilities within different departments of the Group.

Recruitment is tailored to different classes of positions to be filled and will be directed to appropriate applicants in order to attract suitable candidates. Public recruitment will be carried out through appropriate media for a sufficient period to assure open opportunity for application and consideration.

The dismissal or voluntary termination of employees' contracts shall be enforced according to the employment laws and regulations in Hong Kong and the PRC. Either party may terminate the employment by giving a written notification or payment in lieu of notice to the other party as specified in the employment contract according to the requirements of Labour Legislation. During the work transfer and resignation procedures, the parties have the responsibility and obligation to hand over the equipment, files and materials belonging to the Group under their management to the relevant departments and responsible persons. To ensure a smooth transition, relevant staff is required to complete a "Job Handover Checklist" (工作移交清單). The Group will conduct an exit interview with all monthly paid departing employees prior to their departure for receiving opinion and feedback to the Group.

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Promotion

The Group recognises promotion as the shift of an employee from one position to another that requires a higher degree of knowledge, skill, or responsibility, in this regard, a higher pay range is assigned to encourage employee growth and development. We adopt an open-door communication policy and carry out a performance review with the employees on their performance semi-annually, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

The Group has standard policies and procedures for promotion as set forth in the "Employees' Handbook". The Group has a regular promotion plan every half-year. After the half-year or full-year appraisals, the Group will evaluate the work performance of its employees. The Group also implements a universal job promotion plan based on the evaluation results of the employees' work performance and job vacancies. In order to retain talents for sustainable development, employees with outstanding performance will be promoted at any time if the position becomes vacant under special considerations.

Equal Opportunity, Diversity, and Anti-discrimination

The Group has set up "Human Resources Diversity Policy" (人力資源多元化政策) and "Anti-discrimination Policy" (反歧視政策) to promote equality in the workplace for all employees. These policies ensure that all employees are treated equally in every aspect of their jobs and work under a discrimination-free environment. We strictly prohibit discrimination against potential candidates in the recruitment process on the account of their race, colour, religion, sex and gender identity, sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions. All employees are encouraged to report any incidents of discrimination to the Human Resources Department and all cases will be thoroughly investigated and treated with strict confidentiality.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. We have established the "Human Resources Diversity Policy" (人力資源多元化政策) and believe that different backgrounds and abilities of the Directors could enhance diversity and achieve effective leadership with multi-perspective ideas during the business decision-making process. The selection of candidates has been considered by taking various factors into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Group's vision on equality applies to all aspects in employment and is set forth in the employee management policies and systems, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development and suspension. We provide annual training courses for all employees on disability awareness, sexual harassment and workplace bullying, as well as relevant on-the-job training regularly.

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Employment Profile

Workforce As at 31/12/2024	2024 No. of Staff
By Gender	
Male	666
Female	235
By Age Group	
Below 30	181
30 – 50	597
Over 50	123
By Employment Type	
Full Time	826
Part Time	75
By Management Level	
Senior Management	21
Middle Management	68
General Staff	812
By Geographical Region¹⁰	
Mainland China	693
Hong Kong, China	15
Korea ¹¹	193
Total	901

The Group strictly abides by the following laws and regulations, including but not limited to:

- Employment Ordinance (Cap. 57)
- Employees' Compensation Ordinance (Cap. 282)
- Sex Discrimination Ordinance (Cap. 480)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Race Discrimination Ordinance (Cap. 602)
- Minimum Wage Ordinance (Cap. 608)

¹⁰ Due to the double counting of 2 of the employees concurrently working in Mainland China and Hong Kong companies.

¹¹ Including all employees of Korea CQV.

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- Labour Law of the PRC (《中華人民共和國勞動法》)
- Labour Contract Law of the PRC (《中華人民共和國勞動合同法》)
- Korea's Labor Standards Act

To the best of the Directors' knowledge and belief, the Group was in compliance with the local labour law regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, vacation, minimum wage requirements during the FY2024. In addition, the Group has not received any complaints or notifications on contravention of any of the above employment practices.

Employee Retention

Remuneration and Compensation

The Group offers competitive compensation to retain talents. The remuneration package of each employee is determined with reference to various factors including educational background, job duties, professional skills, technical capabilities and experience, as well as salary level for similar job positions in the pearlescent pigment industry. The Group has also adopted a share option scheme pursuant to which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives.

To attract and retain talents, the Group also offers a variety of benefits, including free shuttle buses, bonuses, "Social Security and Housing Provident Fund" (社保及住房公積金) in the PRC, statutory pension scheme contributions for the benefit of employees by the relevant legal requirements in Hong Kong, Mainland China and Korea, including the mandatory provident fund contributions in Hong Kong, social insurance payments in the PRC and national pension scheme in Korea, injury compensation and insurance, and overtime allowance. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

Rest Period and Working Hours

The Group provides reasonable working hours and rest periods to employees. The resting time of the Group's employees is well-respected, and the employees are also entitled to paid holidays under statutory requirements or otherwise under their respective employment contracts such as annual leave, sick leave, work injury leave, maternity leave and compensation leave.

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Employee Turnover

During the FY2024, the Group has an overall turnover rate of 4.2%. The detailed turnover numbers and percentage are set forth below:

Turnover	2024 No. of Staff	2024 Turnover Rate (%)
By Gender		
Male	28	4.2%
Female	10	4.3%
By Age Group		
Below 30	10	5.5%
30 – 50	19	3.2%
Over 50	9	7.3%
By Management Level		
Senior Management	1	4.8%
Middle Management	1	1.5%
General Staff	36	4.4%
By Geographical Region		
Mainland China	18	2.6%
Hong Kong, China	0	0%
Korea ¹²	20	10.4%
Overall	38	4.2%

Employee Activities

During the FY2024, the Group has organised a variety of activities to motivate and enhance the overall morale of its employees, including Staff Sports Meeting, Lantern Festival Tour and Chinese New Year Greeting, etc., allowing staff members to gather outside of work for bonding and team building.

¹² Including all employee turnover for Korea CQV.

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Chinese New Year Greeting

The Group held a simple yet grand kick-off ceremony, in which senior management extended New Year greetings to all employees. They visited the production workshops and various departments to deliver sincere New Year greetings and good wishes to all staffs.



Lantern Festival Tour

The Group held a park tour on the Lantern Festival, celebrating the festival together with its employees, fostering bonding and development among the Group and its employees.



Global New Material International 2024 Annual Meeting

At the annual meeting, Global New Materials International commended the outstanding teams and outstanding employees in FY2024. They have set an example for the Company with their outstanding performance and contributions. In the past year, they have fulfilled their duties and dedication in their respective positions, achieved excellent results in their work, served as the role models in teamwork, and lit the way forward with unremitting efforts and outstanding achievements.

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Staff Sports Meeting

The Sports Meeting included a series of events such as volleyball and hurdle races. The atmosphere at the event was vibrant and entertaining, with athletes engaging in fierce competition, bringing together the enthusiasm and energy of the employees. The Sports Meeting not only brought employees closer together, but also showcased team cohesion and collaborative abilities.



CQV New Year Workshop

CQV held a 5-day workshop in Yuzhou and Guilin, China, cultivating stronger teamwork and invigorated the team towards new goals.

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Health and Safety

Health care of the employees is of primary importance to the Group, and the Group is committed to providing a safe working environment to its employees. To maintain a safe working environment and minimise potential workplace injuries, the Group has established internal policies on safety management whereby different teams are assigned with different safety compliance responsibilities. We have zero-tolerance for employees who commit physical assault, threatening behaviour, unwelcome photo-taking and harassment in the workplace. The Group has been accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates. The Group has always adhered to the people-oriented development philosophy, prioritized the health of its employees, and actively carried out occupational health management.

Furthermore, the Group organizes and carries out physical examination for employees annually and establishes health records. Multi-functional gym, equipped with treadmill, table tennis, billiards, dumbbells and other fitness equipment have been set up. Every year, the Group organizes different physical activities and actively participates in cultural and sports events such as air volleyball and fun events held at all levels, demonstrating healthy, vigorous and energetic spirits of our employees.

Looking ahead, we will continue to strengthen occupational health management, improve working environment, strengthen the education and training of occupational health laws and regulations and occupational disease protection knowledge, improve employees' awareness of occupational health and occupational disease protection, and strive to create a good and healthy working environment for employees, so as to ensure that occupational health risks are under control.

Health and Safety Policies and Measures

To ensure the health and safety of our staff and customers, the Group has implemented a series of policies which clearly outlines the requirements and handling procedures under specific situations:

- Safety production target management system (安全生產目標管理制度)
- Position occupational hygiene operating procedures (崗位職業衛生操作規程)
- Construction project occupational health "three simultaneous" management system (建設專案職業衛生“三同時”管理制度)
- Workers occupational health monitoring and filing management system (勞動者職業健康監護及其檔案管理制度)
- Maintenance and overhaul system for occupational diseases protection facilities (職業病防護設施維護檢修制度)

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- Protective equipment management system for occupational diseases (職業病防護用品管理制度)
- Prevention publicity, education, and training system for occupational diseases (職業病防治宣傳教育培訓制度)
- Responsibility, hazard prevention, and control system for occupational diseases (職業病危害防治責任制度)
- Monitoring and evaluation management system for occupational diseases hazard (職業病危害監測及評價管理制度)
- Warning and notification system for occupational diseases hazard (職業病危害警示與告知制度)
- Accident handling and reporting system for occupational diseases hazard (職業病危害事故處置與報告制度)
- Hazard project declaration system for occupational diseases (職業病危害專案申報制度)
- Emergency rescue and management system for occupational disease hazards (職業病危害應急救援與管理制度)
- Occupational health inspection and reward and punishment system (職業衛生檢查與獎懲制度)
- Preliminary risk assessment system (初步風險評估系統)
- Safety and health management system (安全健康管理體系)

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Occupational Measures

The below sets forth a few examples of the practices adopted by the Group in accordance with the applicable local laws and regulations in relation to workplace safety:

Our Attempt

- Ensuring the Group maintain the requirements of ISO 9001:2015 (Quality management), ISO 14001: 2015 (Environmental Management), and ISO 45001:2018 (Occupational health and safety);
- Ensuring the Group sites maintain accident insurance for the workers;
- To monitor safety measures throughout the construction process who will submit inspection reports to the Group regularly;
- Employing certified contractors for regular inspection of fire safety equipment in Guangxi production facility and office premises;
- Providing health checks to staff members as appropriate prior to commencement of employment;
- Providing safety equipment such as fire extinguishers at the workplace;
- Installing surveillance cameras at the main entrances, reception halls and front desks of various sections of the production facility and offices;
- Employing security guards guarding at various entrances and carrying out 24-hour patrol;
- Prohibiting smoking at the workplace;
- Providing safety training to staff members and practising from time-to-time emergency responses in the case of fire or other hazards;
- Regular cleaning of the water supply filters and daily garbage removal; and
- Provide precautionary measures and equipment (such as disinfectant and mask) to protect the staff from pandemic.

1. Fire Drills

Fire drill is conducted regularly. After each drill, meeting comprising of all responsible parties is held to review every aspect.

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2. Emergency Preparedness

"Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製說明) and "Contingency plans for natural disaster incidents" (自然災害事故專項應急預案) are established in response to emergency issues such as floods, infectious disease, earthquakes and heat stress.

In addition, the Group has formulated the "Safety and Health Management System" that focuses on workplace and employee safety and health. In all locations with risks of safety accidents, a safety and health management system is established based on the safety and health work manual, and various plans will be implemented to ensure employees' well-being. Safety and health issues requiring decision-making are addressed through regular meetings of the Joint Industrial Safety and Health Committee held between labour and management. In addition, by establishing a safety and health personnel consultation mechanism between labour and management, we could immediately resolve on-site safety and health requirements and create a safe factory that build on trust between labour and management. We also conduct continuous education, expand safety facilities and investment, and improve safety awareness.



Quarterly Safe Production Meeting

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The Group conducts daily safety inspections based on the on-site inspection checklist to enhance employees' safety awareness. Sharing sessions are conducted with each factory to discuss relevant accident cases that occurred within the Company and in other companies, aiming to formulate prevention plans to mitigate similar accident risks in advance of work. Additionally, when working with subcontractors, we formulate safe work plans and issue permits in advance in order to prevent accidents.

The Group has a Process Safety and Environment Team to prevent safety incidents and enhance the quality of safety management, and safety inspections are conducted regularly (quarterly) at all business locations. Through this approach, major safety and health issues can be identified and improved in advance, and the quality of safety management can be improved. In addition, when facing extreme weather events such as heat waves that may pose a threat to employee health and worksite safety, we also prioritize the well-being of our employees. The establishment of an environment and safety team not only encourages employees to actively strengthen their awareness of environmental safety, fire prevention and health management, but also provides regular simulation training for emergency evacuation, first aid and life-saving drills in times of fire and other disasters, preventing accidents and enhance employees' response capabilities.

In addition, the Group carried out investigation and rectification check on major accident hidden dangers, investigated and rectified special operation safety hidden dangers such as firefighting, electricity and limited space simultaneously. This could effectively curb the occurrence of production safety accidents and ensure safe production. The Company also organizes emergency drills for accident handling, and conducts drills such as on-site personnel rescue, personnel evacuation and emergency handling by simulating accident site, so as to improve the emergency response system, enhance the ability of accident rescue and emergency handling. The Group is committed to further improving the safety awareness and emergency response capabilities of all employees, building a solid line of defense for safe production, and creating a safe and healthy working environment for all employees.

Frequent high temperature weather has brought great challenges to employees. The Group regards heatstroke prevention and cooling as its top priority. Heatstroke prevention medicines have been prepared in each production workshops and office buildings. Moreover, we have carried out several "Send Cooling" activities, delivering watermelons and refreshing drinks to all employees. At the same time, the Group has continuously increased investment in heatstroke prevention and cooling facilities, strengthened the ventilation system and investigation of potential safety hazards in high temperature areas. In addition, the Group has enhanced the publicity of heatstroke prevention knowledge and trainings on emergency handling, helping its employees to improve their awareness and ability of heatstroke prevention. These efforts aim to safeguard the life safety and physical and mental health of employees, ensuring safe production in summer.

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Safety Performance

The Group is committed to providing all necessary resources for effective implementation of safety policies and continuous improvement of its performance to avoid potential accidents at the workplace. The Group's offices and production facilities are subject to certain safety and health requirements pursuant to the requirements of ISO 45001:2018 (Occupational health and safety) and the laws and regulations in Hong Kong, the PRC and Korea, including but not limited to,

- The Labour Law of the PRC (《中華人民共和國勞動法》);
- The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》);
- Occupational Disease Prevention Law of the People's Republic of China (《中華人民共和國職業病防治法》);
- Production Safety Law of the PRC (《中華人民共和國安全生產法》);
- Law of the PRC on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》);
- Regulation on Work-Related Injury Insurances (《工傷保險條例》);
- Measures for the Administration of Occupational Health Examination (《職業健康檢查管理辦法》);
- Classification and Catalogue of Occupational Diseases (《職業病分類和目錄》);
- Measures for Declaration of Occupational Disease Hazard Projects (《職業病危害專案申報辦法》);
- Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》);
- The Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong; and
- Occupational Safety and Health Act of Korea.

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There were no lost working days for the PRC business premises during the FY2024 and the previous two financial years. During the financial year, 3 accidents occurred at the CQV factory in Korea, causing 3 personnels involved to be refrained from work for a total of 396 working days due to workplace injuries, while a total of 168 working days was lost for FY2023. Korea CQV factory has implemented specific safety measures and revised the enforcement of measures, including the use of protection gear of high standards, strictly observing the operating manual when operating a hoist, as well as stop performing arbitrary work and report to manager once the machine is operating abnormally, with a view to avoid similar accidents. The Group will continue to uphold the awareness of workplace safety, review the safety measures and provide guidelines to its employees to ensure continuous improvements and avoidance of workplace accidents. In addition, the Group was in compliance with local labour laws and regulations regarding occupational health and safety during the FY2024. Looking forward, the Group is committed to providing all necessary resources for effective implementation and continuous improvement to prevent occurrence of accidents at the workplace.

Staff Education and Development

The Group always adheres to the concept of “talents are the primary resource” and the strategy of “strengthening the enterprise with talents”. The Group has introduced and nurtured retained talents in an all-rounded way, and gathered talents with a broader and open-minded vision. The Group focuses on talent development through practices such as talent group recruitment and fostering 「帶土移植、厚土培植」, as well as actively introducing international talents. These efforts promote the construction of high-quality talent pool within the Company for its advancement in its business development.

In FY2024, the participation of these international talents with rich and mature experience in finance, investment, operation, technology and other business fields has provided adequate intellectual resources support for the development of various businesses of the Group. In addition, top-tier talents from other business fields continues to join the Group. With the convergence of talents from diverse backgrounds, they constantly bring new dynamics into the high-quality development of the Group.

While attracting senior talent, the Group also spares no effort to cultivate internal talents, build a platform for opportunities, innovate and improve the talent appointment mechanism, develop a dual promotion channel of management sequence and technology sequence, and publicly select management personnel. This approach allows the innovation and vitality of various talents to flourish. The Company optimizes its talent assessment and incentive policies to grant opportunities and space for employees who are truly capable and driven to achieve desirable results, ensuring they receive corresponding rewards. This strategy aims to stimulate enthusiasm and motivate talents at all levels. Meanwhile, by optimizing organizational structure and work processes, streamlining redundant positions and workflows, and nurturing a team with robust “vitality”, the Group fosters a talent pool that grows through experiential learning in their roles, thus providing a solid foundation of talent support for high-quality business development.

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On the other hand, universities and institutions provide further talent support for the Group. In July 2024, the Group ushered in a group of newly recruited college students. In order to help new employees quickly integrate into the Company's culture and master relevant product knowledge, the Group organized a five-day new employee systematization training from July 1. Under the detailed introduction provided by the heads of the Company's technology, quality and other related departments, the new employees had an in-depth understanding of the characteristics, application fields and market prospects of the Company's main products. In order to combine theoretical knowledge with practice, the new employees also visited the Company's production workshop to intuitively understand the product production process and process, etc., and lay a solid foundation for future work. In the same month, the Group held the 2024 New Force Training which was tailored by the Company for college students and trainable employees who have joined us in the past three years, aiming to comprehensively improve the professionalism, skill level and leadership potential of employees through systemic training, and inject new vitality and impetus into the Company's development. In order to ensure the effectiveness of the training, we have set up an incentive and feedback mechanism, and will give corresponding rewards to employees according to their performance in the training. At the same time, the training plan will be adjusted according to the feedback of employees in a timely manner during the training process, so as to continuously optimise the training content and improve the comprehensive quality of employees. The Group has always adhered to the concept of innovation-driven development, with talents as the core resources, and constantly promotes technological progress and industrial upgrading. The Company expects to cultivate a group of well-rounded talents with solid professional knowledge, exquisite skills, positive mentality, ample ability and integrity through relevant training activities, with an aim to contribute to the personal growth of employees and sustainable development of the Company.

In FY2024, CQV has held a series of languages (Chinese and English) courses, which not only promotes effective and smooth communication with its parent company but also aims to foster long-term business development.



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Employees are precious assets to the Group, while the Group being committed to business development and talent investment. We consider employees to be indispensable to the Group's business achievements, in addition to providing the above safety-related training, we also provide both internal and external training programs to our employees regularly with a view to upholding the Group's brand image and continue to enhance their work quality and personal development.

The Group has established a series of policies for staff training and development:

(1) Internal Trainer Management Measures(內訓師管理辦法)

To establish the Company's internal trainer team, realize the formalisation and scientific management of internal lecturers so that it can effectively provide guidance for the employees to improve their work and performance, inherit the Company's relevant technology and corporate culture and facilitate knowledge sharing.

(2) Employee Training Credit System Management Measures(員工培訓學分制管理辦法)

The credit system management method is implemented to establish an effective learning incentive mechanism, encourage and assist the employees to master the knowledge and skills required for work, further improve their comprehensive quality, thereby enhancing their professional ability and effectively improving training efficiency.

(3) Staff Training Management System (員工培訓管理制度)

The Staff Training Management System is implemented to standardize and promote the Company's training continuously and systematically. Through the accumulation, dissemination, application, and innovation of knowledge, experience, and ability, the professional skills and quality of employees are improved to meet the needs of the Company's business development.

(4) New Employee Training and Assessment Management Measures (新員工培訓及考核管理辦法)

The measure is specially implemented to standardize the Company's new employee training management, for the new employees to familiarise themselves with and adapt to the Group's culture, system and code of conduct as soon as possible. The Group supports the new employees to be familiarised with the working environment, master their relevant work methods and skills, and clarify work norms and requirements. The Group also introduces a mentorship program whereby senior staff members will supervise new employees and provide on-board training and orientation to them to facilitate smooth integration into the Group's operation process.

In addition, we provide training opportunities to our employees through dedicated external service providers to enhance their capabilities and support their continuous development. We will also provide online training courses to provide greater convenience for employees. Our training options are independent and there are no restrictions on subject types. For employees who wish to pursue graduate studies, we offer the opportunity for them to attend graduate courses while on the job.

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Career Development

The Group has formulated labour contract to be entered into with each employee in accordance with the applicable labour laws. The Group also offers remuneration package to the employees including salary, bonus and other benefits and allowances such as the “Social Security and Housing Provident Fund” (社保及住房公積金) and birthday party.

The performance of the Group’s employees will be reviewed annually for promotion appraisals, salary review and determination of annual bonus. The Group believes that the current appraisal system provides an effective communication platform between the employees and the managerial staff of the Group, which is beneficial in realising the Group’s expectation to select talents and retain existing employees through individual performance assessment.

Rewards and Discipline

To encourage employees to improve work performance with less severe mistakes, the Group has established a reward and punishment system and formulated all the relevant conditions in the “Employees’ Handbook”. There are three types of reward for the recognition of employees with good performance:

- Award (嘉獎) - The application for “rewards” is nominated by the person in charge of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the human resources director for approval;
- Small merit (小功) - The application is nominated by the head of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the general manager for approval; and
- Great merit (大功) - The application shall be nominated by the head of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmed by each department for collegial consideration, and finally reported to the general manager for approval.

Discipline for employees with misconduct is divided into (i) warning, (ii) minor demerit, (iii) major demerit, and (iv) dismissal (termination of labour contract). Employees will be immediately dismissed if they have committed serious misconduct, such as serious dereliction of duty or malpractice for personal gain, causing major damage to the interests of the company, investigated for criminal responsibility according to law, corruption and bribery, etc.

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Learning and Development

To keep the employees abreast of new knowledge and skills, the Group provides training programmes, such as workshops and seminars on health and safety at workplace. We believe that the provision of opportunities to continuing education and advanced training can increase the competency and efficiency of the staff, as well as work safety and loyalty. The Group has formulated various guidelines such as (i) internal trainer management (內訓師管理辦法), (ii) employee training credit system management (員工培訓學分制管理辦法), (iii) employee training management system (員工培訓管理制度), and (iv) new employee training and assessment management (新員工培訓及考核管理辦法).

For the new employees to be more familiar with the culture and work practices, all new employees of the Group will have to go through a probation period before the commencement of the formal employment. Upon expiry of the probation period, the relevant supervisors will decide if the new employee can be employed on a permanent basis taking into consideration his or her work attitude, work quality and whether the skill sets are suitable for the position. In addition to on-job training, the Group also organises induction trainings for new employees according to their job categories, including factory-level safety training to provide occupational safety knowledge, occupational health knowledge, environmental management system knowledge and promote environmental protection awareness. In order to improve the management efficiency, the Group has also provided trainings to the senior management on a wide range of topics, which include (i) national safety measures, policies and regulations; (ii) safety management and production; (iii) risk management and precautionary measures; (iv) occupational risk and measures; (v) advanced safety management case studies; contingency plan and case studies, etc.

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During the FY2024, most of our management and employees* have received training and have been offered 21,039.97¹³ training hours in total. The details are as follows:

Percentage of Trained Employees ^{14,15}	2024
By Gender	
Male	670 (100.6%)
Female	231 (98.3%)
By Employment Category	
Senior Management	21 (100%)
Middle Management	68 (100%)
General Staff	812 (100%)
Overall	901 (100%)

Average Training Hours ¹⁶	2024 Hours per Employee
By Gender	
Male	27.2
Female	12.4
By Employment Category	
Senior Management	115.6
Middle Management	21.1
General Staff	21.5
Overall	23.4

Note: * Included the number of turnover staff since they also attended training during the FY2024, therefore percentage of trained employees might exceed 100%.

¹³ Moreover, the Group's non-executive directors received 1,667.50 hours training during FY2024.

¹⁴ Double counting due to two employees working concurrently in companies in Mainland China and Hong Kong.

¹⁵ Percentage of trained employees = Total number of employees received training during the Reporting Period/Total number of employees

¹⁶ Average training hours = Total training hours during the Reporting Period/Total number of trained employees

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Prohibition of Child and Forced Labour

The Group is determined to be a responsible employer, and, in this connection, the Group has implemented good employment practice and promoted ethical and human rights at the workplace. The Group only hires lawful employees and will not hire any person who do not meet the minimum working age as specified under applicable laws and regulations. During the recruitment process, candidates must submit photocopies of their identity cards and subsequently present originals for verification purposes.

The Group has in place an internal policy and "Employees' Handbook" which prohibits any form of child labour and set out the process of resignation and dismissal of employees in order to safeguard the Group's and employees' rights and eliminate the possibilities of forced labour. The Human Resources department will review the employment practice regularly to prevent the possibility of child and forced labour. If any child or forced labour cases have been discovered, the child labour will be dismissed from work immediately. The Group will strictly follow the local labour laws and regulations to handle such cases.

In addition, the Group is an official and active member of the Responsible Mica Initiative (RMI), a global movement aiming to achieve the goal of being child labour free (CLF). We participate in annual RMI meetings to comply with international CLF norms. In order to fully implement CLF, we have selected a certification body in India to regularly inspect, verify and audit the CLF compliance status of our Indian raw material suppliers.

The Group complies the laws and regulations in all material aspects of employment and strictly abides (i) the Labour Law of the PRC (《中華人民共和國勞動法》), (ii) the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), (iii) Special protection regulations for juvenile workers of the PRC (《中華人民共和國未成年工特殊保護規定》), (iv) the Employment of Children Regulations of Hong Kong, (v) the Employment Ordinance of Hong Kong, and (vi) the Labour Standard Act of Korea. During the FY2024, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

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OUR SUPPLY CHAIN

Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. To maintain and ensure the quality of the Group's services, the Group's Supply Chain Management Policy specifies the objective to achieve a fair, transparent and competitive procurement process, which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

The Group has organised an investigation team, to identify all environmental and social risk factors related to daily production and operation process, warehouse and transportation in the supply chain, and analyse the risk value of each factor according to the "Supply Chain Management System" (供應鏈管理制度). The supply chain centre and safety and environmental protection centre are responsible for the risk identification and control of internal warehouses. Risk identification and control of external suppliers and service suppliers are investigated annually by the expert group organized by the supply chain centre. The supply chain management centre worked with the quality management centre, manufacturing centre, technology centre, financial management centre, and other departments to review and report to the general manager for approval.

In addition, we have formulated the "Supplier Corporate Social Responsibility Code of Conduct" (供應商企業社會責任行為準則) to focus on reviewing suppliers' corporate social responsibility and ESG performance, and strictly requiring suppliers to conduct business in an ethical manner, operate with integrity and compete fairly.

Since 2018, CQV has been improving transparency in its supply chain by building safety and environmental management systems in India's natural mica mines according to international standards through Responsible Mica Initiative (RMI) activities.

Supplier Engagement

The Group adheres great importance to the collaboration with suppliers and believes deeply that the establishment of a cooperation relationship with suppliers would enhance the Group's workflow and product quality. The Group conducts comprehensive evaluations of suppliers regularly. In addition to reviewing factors such as brand and product quality, suppliers' environmental and social responsibility performance is one of the primary considerations in establishing strategic relationships. In considering building partnership, the Group will prioritise companies holding ISO14001 environmental management system certification. The Group conducts regular on-site inspections to check and review the performance of suppliers.

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The Group has established a set of standard procedures for the selection of new suppliers or service providers. The procurement department of the Group will conduct qualification assessments and the criteria include: (A) whether there is environmental pollution risk in the production and service process, the ability of environmental protection management, and if there is any relevant qualification certificate; (B) whether the products or services provided have social risks, such as whether they are monopolistic; (C) whether more environmentally friendly products and services are used in the production process; and (D) production and supply capability. Suppliers or service providers that meet the requirements will fill in the "Supplier Sample Testing Application Form" (供方樣品檢驗申請表) and send their samples to the quality management centre. Once the potential supplier or service provider got qualified, the procurement department will fill in the "Supplier's Product Trial Application Form" (供方產品試用申請表) and submit it to the quality management centre, manufacturing management centre, and technology centre for joint approval, and the product will have 3-month probation period. After the probation period, the procurement department together with the manufacturing management centre, technology centre, quality management centre, and financial centre will re-evaluate the supplier and add them into the "List of Qualified Suppliers" (合格供方名單). The suppliers in the list will be reviewed and updated in a timely manner.

Supplier Profile

During FY2024, the Group has a total of 114 suppliers, in which 89 of the suppliers are located in Asia, 16 of them are located in the Europe and Middle East, and 9 of them are located in the United States of America.

Supplier Control and Monitoring

In order to achieve better project performance, the Group reviews on an annual basis the quality of suppliers based on factors such as (i) sufficiency of the plant; (ii) sufficiency of manpower; (iii) progress; (iv) workmanship; (v) response to instructions; (vi) financial status; (vii) environmental and social performance and (viii) planning and management. Comments and remarks are given if any improper practices and unsatisfied performance is observed for further improvement.

The procurement department is responsible for liaising with suppliers and manufacturers and conducting on-site inspections regularly. The inspection scope includes manufacturing status, quality control, key procedure control, operation status of manufacturing and testing equipment, environmental governance, social risk governance, usage of environmentally friendly products and services, labour quality, etc. The inspectors keep records in accordance with the above criteria, and they will be used as an important basis for evaluating qualified suppliers.

At the beginning of each year, the procurement department together with the quality management centre, production planning centre, technology centre, financial management centre, and other relevant departments will evaluate the performance of qualified suppliers. The Group will assess the products or quality management system of the suppliers when necessary, suggest assessment opinions, and complete the "Supplier Assessment Record Form" (供方評審紀錄表).

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The procurement department of the Group is responsible for formulating "Performance Profile of Qualified Suppliers" (合格供方業績檔案), to regularly count and record the unqualified raw and auxiliary materials found in regular inventory inspection. The inspector will provide a written warning to those suppliers with poor performance and require them to submit written guarantees and plans for improvement. For those who have been warned but without obvious improvement, the procurement management centre will issue a notice of disqualification, and after reporting to the management representative for approval, the supplier will be notified to stop supplying and removed from the "List of Qualified Suppliers" (合格供方名單).

Suppliers or service providers who are disqualified will not be reconsidered within a year. They will need to be re-evaluated according to the above-mentioned procedures if they wish to re-join over a year.

OUR CUSTOMER

Product and Services Quality

Product Responsibility

As the market is rapidly changing and the demand is increasing, the Group will continue to focus on the development on high quality products, innovations and to pay attention to the customers' requirements. The Group has consistently refined its operation systems. The Group appreciates honesty, puts the customers' requirements as our top priority, acts in a proactive and responsible manner to maintain a mutually beneficial relationship with the customers. The Group strives to attain a deep understanding of the customers' requirements and try our very best to meet their needs and even exceed their expectations. While collaborating with the customers and the business partners, the Group grows and makes progress with them.

According to the "Process Control Procedure for Customer-Related Requirements" (與顧客有關要求的過程控制程序), the Sales Department of the Group receives all the drawings, data, samples, and other specific materials from the customer and send them to the Technical Department of the Group. The technical department will then be responsible for reviewing and collecting relevant laws and regulations (including the requirements and regulations issued by government agencies on product safety inspection), product standards/specifications, and customer-specified product safety requirements. The product safety requirements are also applicable to the procurement department, and pass on to relevant suppliers. When purchasing materials from a supplier, the procurement department should verify the purchasing data concerning product/process safety in accordance with the "Procurement Control Procedure" (採購控制程序), and clearly state the products provided by the supplier and related safety items in the purchasing contract, technical quality agreement, and material acceptance specification. The Group also proactively promotes the use of environmental-friendly products.

Safety and Quality Management

As a responsible new material manufacturing enterprise, the Group has been accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates and strictly monitor the quality and safety in the use of the products of the Group. The Group was awarded the honorable title of "Quality Control Benchmark", attributed by its "experience in the implementation of comprehensive quality control system". The Group will continue to strengthen the quality control ability.

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The Group is committed to complying with the local laws and regulations on product safety and protecting consumers' health in the use of the Group's products. Following the requirements of ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018, the Group implements stringent internal codes and procedures for quality checks during the manufacturing process of pearlescent pigment products. Any non-conformity products must be handled properly with procedures such as proper labelling and recording.

The Group manages and standardises the quality inspection of raw materials, semi-finished products, and finished products involved in various outputs and delivery links in manufacturing plants in accordance with the "Product Safety Management Manual" (產品安全性管理程式) to ensure that the quality is strictly monitored before being transported to the next production process. Once the product is found to be unqualified in safety, it will be isolated by the quality department and handled in accordance with the "Unqualified Product Control Procedure" (不合格品控制程式). If the product has been shipped, the sales department will notify the customers and immediately recall the defective product.

The Group strictly abides by national and local laws and regulations, including but not limited to the Product Quality Law of the PRC (中國產品質量法), Production Safety Law of the People's Republic of China (中國安全生產法) and other relevant European Union standards. During the FY2024, there was no official record of any material non-compliance or violation of relevant laws and regulations regarding product and service quality.

Product Return Policy

The Group maintains the usual high quality for its products and services, meanwhile, the Group will arrange for the return and compensation of products with quality issues in accordance with the terms written in the sales contracts. For any customers who are affected by quality issues, the Group will adopt a standard procedure, including product return, recall or provide compensation of products, in a consistent manner.

When the Group has received any complaint from customers, it will handle it according to the "Customer complaint handling procedure" (客訴問題處理常式). Firstly, the staff may be required to complete the "Quality Improvement Countermeasures Report" (品質改善對策報告書) and submit it to the quality engineer for conducting a preliminary analysis on the complaints. Then the responsible departments are identified, and a discussion group will be set up to analyse the reasons and provide the improvement measures. The quality engineer will then issue a rectification notice to the responsible departments, and the relevant departments will notify the quality department once the improvement measures are implemented. The quality engineer is responsible for the subsequent verification. If there remains any outstanding issue or problem, the discussion group will work together again. Otherwise, the result will be recorded in the "Quality Improvement Countermeasures Report" (品質改善對策報告書), scanned and passed to the salesman to reply the customer.

During the FY2024, there was no official record of complaint about product or service, and there were no sold or shipped products that were subject to recalls for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Advertising/Labelling

To ensure that our products and services advertising information are accurate and to avoid misleading our consumers, the Group strictly abides by the related laws and regulations, including but not limited to Law of the PRC on the Protection of Consumer Rights and Interests (《中國消費者合法權益保護法》), Advertising Law of the PRC (《中國廣告法》), Measures for Penalties against Infringement upon Consumers' Rights (《欺詐消費者行為處罰辦法》), Interests and Anti-Unfair Competition Law of the PRC (《中國反不正當競爭法》) and Fair Labelling and Advertising Act of Korea (《標識廣告法》).

The Group understands the customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group has established the "Product identification, traceability control procedures" (產品標識、追溯控制程式) and the "Product and Service Advertisement Review Management System" (產品和服務廣告審查管理制度). In the FY2024, the Group participated in a number of international trade fairs to further expand the global market. At the same time, the Group strictly requires its employees to carefully review the advertising materials for the purpose of making sure that there is no incorrect or misleading information in the advertisements published by the Group. The Group is committed to providing sufficient and accurate information and product label to customers, and considers that it is an extended responsibility of product safety management.

Intellectual Property Protection, and Data Protection and Privacy

The Group has been awarded as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by National Intellectual Property Bureau (國家知識產權局) since 2017. The Group was awarded "the first batch of excellent workstations for intellectual property rights protection assistance in Guangxi", affirming our contributions and outstanding achievements in intellectual property innovation, intellectual property system construction and operation, intellectual property protection, and intellectual property rights protection assistance. We will continue to improve the level of intellectual property management to solidly promote and escort the innovative development of enterprises. In addition, the invention patent of "a pearlescent pigment for water-based ink and its preparation method and dispersion device" was successfully granted by the State Intellectual Property Office. This invention helps the Company achieve new momentum for cost reduction, efficiency improvement and high-quality development. According to the "Enterprise intellectual property Management Standards" (GB/T29490-2013), the Group's intellectual property management system documents should comply with relevant effective laws and regulations, through data search, communication, sampling inquiry and other ways, the supervision team conducted a comprehensive and detailed review to the Group's intellectual property management system operation. No nonconformities were found, the audit was successfully passed, and the certification certificate was maintained. As a national intellectual property superior enterprise, the Group has taken necessary measures to strictly protect our intellectual property rights, data and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also fully understands the importance of maintaining commercial confidentiality and will handle it with special care. This is not only one of the key elements of our sustainable management, but also for our customers and other stakeholders. To this end, we have implemented system data security measures, physical data security measures (such as monitoring facilities), access control facility management, and business site access procedures. We also provide data security training to all employees to emphasize that data security is the core of our business operation.

As of 31 December 2024, the Group had a total of 156 patented technologies, 76 registered trademarks and 4 software copyrights.

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC, Copyright Law of the PRC, Trademark Law of the PRC, Trademark Act of Korea, Patent Act and other laws and regulations. In order to protect the information of customers and the Group (including information related to intellectual property rights), the Group has formulated its own "Information System Management Measures" (資訊系統管理辦法) for the Group to ensure that offices and sites equipment (such as laptops) are properly kept. All the documents and electronic materials of the Group, including materials for training, are not allowed to circulate outside without authorization. All business information, financial information, personnel information, bidding information, contract documents, customer information, research and statistical information, technical documents, planning and marketing plans, management documents, meeting content, that have not been publicly disclosed are all considered corporate secrets.

The Group's employees are responsible for their confidentiality. All rights and interests obtained by employees who are on duty, such as commercial and technical information, inventions, and research results belong to the Group and are not allowed to copy, imitate, reprint, extract, or distribute without any written authorization. The Group is committed to protecting the customers' data and privacy. Unless the customer's consent is obtained, the collected customer information will not be used for promotional purposes.

During the FY2024, there was no material non-compliance or violation in intellectual property, product quality and safety, advertising, labelling, and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BUSINESS ETHICS

Anti-corruption

The Group is committed to conducting its business with honesty and integrity and applying the highest standards on the establishment of transparent and open corporate governance frameworks. The Group would not accept any unethical acts.

The Group's policy of "Anti-bribery, anti-corruption, anti-fraud and whistleblowing management system" (公司反賄賂反腐敗反舞弊與舉報管理制度) and "Ethic Code" are aimed to ensure that the Group is free of corruption and uphold integrity throughout its business operations. The policy covers staff orientation and the Employees' Handbook. A whistleblowing system is established for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with related policies and procedures, so as to protect the whistleblower.

This system is specifically established in order to strengthen corporate governance and internal control, prevent fraud, standardize anti-fraud work behaviour, and safeguard the legitimate rights and interests of the company and shareholders, in accordance with the "Basic Norms and Supporting Guidelines for Enterprise Internal Control" (企業內部控制基本規範及配套指引), the "Company Code", and relevant laws and regulations and other relevant documents, associating with the actual situation of the company. The purpose of anti-bribery, anti-corruption and anti-fraud work is to regulate the professional behaviour of all employees of the Company, especially Directors, supervisors, middle and senior managers, and employees in key positions, to establish a clean, diligent and dedicated work style, and abide by relevant laws and regulations, professional ethics and the Company's internal management system, thereby preventing the occurrence of behaviours that damage the interests of the Company and shareholders.

The Group strictly adheres to the laws and regulations relating to business honesty, bribery and money launderings in Hong Kong, such as Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), the PRC Criminal Law (《中華人民共和國刑法》) and Korea's Kim Young-ran Act (《金英蘭法》). Employees of the Group are also required to strictly comply with the above laws and regulations, and such requirement is a term under the Group's standard employment contract that legal non-compliance will constitute a ground of termination of employment.

In the course of development, the Group has always insisted on integrity as the base point of corporate development and integrated integrity into the construction and development of the Group. It creates an honest and upright ecology, maintains clean internal and external relations, and builds a loyal and transparent management team. In view of it, the Group promotes the long-term development of honest and upright private enterprises, enhances the Group's management quality, ability to innovate and core competitiveness, and ultimately help the harmonious and healthy development of enterprises.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also expects its suppliers and business partners to abide by the relevant local anti-corruption laws. To uphold the Group's business ethics, we have completed annual anti-corruption training for all the Directors, senior management and general staff of the Group for the FY2024. Training content included anti-corruption laws and regulations, as well as occupational integrity ethics education. During the FY2024, the Group was not aware of any warning, notice complaint or notification from governmental authorities on non-compliance cases such as bid-rigging and corruption litigation in this regard.

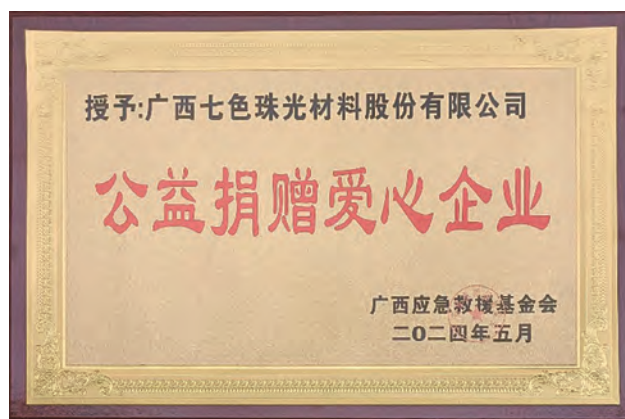
OUR SOCIETY

Community Investment

We believe that community support is important to the Group's long-term success. We consistently strive to engage the community to understand their needs. The Group is committed to contributing to programmes that support healthy, resilient and sustainable community development, making contributions to society and supporting initiatives that benefit the communities in pursuit of a better tomorrow.

Our Contribution

The Group has always been actively engaged in public welfare activities to help the poor and individuals in need, upholding social responsibilities, and continuously contributing resources to the society. In FY2024, the Group donated RMB 1,412,700 and KRW 11,200,000, in forms of monetary, resources and poverty alleviation funds. The Group has been awarded "Charity Donation Caring Corporation (公益捐贈愛心企業)" by the Guangxi Emergency Relief Foundation (廣西應急救援基金會), in recognition of its contribution to community welfare.



The Group actively bears social responsibilities, making multiple donations and contributions, actively participated in poverty alleviation, disability assistance, education support, local talent nurturing, promotion of local sports development and other public welfare undertakings, provided job vacancies for locals in need, and contributed to the continuous development of public welfare undertakings. Through practical actions, we contribute back to society and demonstrate a strong sense of social responsibility and commitment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Group won the “Best Case in Social Responsibility Award” at the high-profile first China-Europe Corporate ESG Best Case Conference in Frankfurt. The award not only signifies a high recognition of the Group’s outstanding achievements in the field of environmental, social and corporate governance (ESG), but also serves as an affirmation of the Group’s significant contribution to promoting social and environmental sustainability. Moreover, it highlights the Group’s outstanding achievements in social responsibility practices such as caring for employees, supporting social development, and actively participating in public welfare and charity. The Group has long been committed to the sustainable development strategy and actively fulfils its social responsibilities. The Group deeply embeds ESG concepts in every aspect of corporate culture and operations, and continuously improves product quality and service quality through innovative technology and management models, reducing the negative impact on the environment, and significantly enhances social value. While achieving green development through scientific and technological innovation, the Group actively participates in social welfare and shoulders its corporate social responsibility. By donating funds and materials, the Group participated in public welfare projects such as helping the disabled and students, demonstrating the enterprise’s strong sense of social responsibility and courage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Due to its outstanding performance in ESG strategy, environmental protection, social responsibility, corporate governance and information disclosure, the Group was awarded with the "Excellence in ESG" in Hong Kong Corporate Governance & ESG Excellence Award Ceremony jointed organised by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy Research (CCGFP) of Hong Kong Baptist University. The winning companies were selected by a panel of experienced market professionals with strong academic support from the CCGFP. This award not only serves as an affirmation of the Group's continuous investment and innovation in the field of ESG but also recognizes our contribution in promoting social and environmental sustainability.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has been awarded Grade A in Huazheng Index ESG Rating throughout the whole FY2024, with an overall score of 86.6 in the latest issuance, being ranked the second among nine chemical product companies listed in Hong Kong.

The Group is also dedicated to strengthening connections, promoting school-enterprise cooperation, striving for mutually beneficial outcomes. On July 2024, teachers and students from the School of Materials Science and Engineering of Zhejiang University visited Global New Materials International for an in-depth visit and exchange trip. Through close observation and experience, the students have a deeper understanding of the application of pearlescent materials in cosmetics, automotive coatings, plastic products and other fields, as well as a more intuitive understanding of the product charm and innovative technology of the Group, corporate culture and working environment. This event not only provided a platform for students to understand the industry and get in touch with cutting-edge technology, but also further promoted the in-depth school-enterprise cooperation between the Group and Zhejiang University. Students will carry the knowledge and inspiration gained from this event with them to continue to explore and move forward on their academic path, laying a solid foundation for their future careers. The Group will continue to strengthen school-enterprise cooperation, offering support such as internship and employment opportunities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

A. Environmental

Aspect A1 Emissions

General Disclosure

Information on:
the policies; and
compliance with relevant laws and regulations
that have a significant impact on the issuer
relating to air and greenhouse gas emissions,
discharges into water and land, and generation of
hazardous and non-hazardous waste.

Our Environment –
Environmental Compliance

KPI A1.1

The types of emissions and respective emissions
data.

Our Environment - Air
Emissions

KPI A1.2

Direct (Scope 1) and energy indirect (Scope 2)
Greenhouse gas emissions in total (in tonnes)
and, where appropriate, intensity (e.g. per unit of
production volume, per facility).

Our Environment - Greenhouse
Gas (GHG) Emissions

KPI A1.3

Total hazardous waste produced (in tonnes)
and, where appropriate, intensity (e.g. per unit of
production volume, per facility).

Our Environment – Waste
Generation

KPI A1.4

Total non-hazardous waste produced (in tonnes)
and, where appropriate, intensity (e.g. per unit of
production volume, per facility).

Our Environment – Waste
Generation

KPI A1.5

Description of emissions target(s) set and steps
taken to achieve them.

Our Environment –
Sustainability Overview and
Management Objectives

KPI A1.6

Description of how hazardous and non-hazardous
wastes are handled, and a description of reduction
target(s) set and steps taken to achieve them.

Our Environment – Waste
Generation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A2 Uses of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Environmental Compliance
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Paper and Packaging Materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our Environment – Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures
Aspect A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment – Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Employment Management Policies and Systems, Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People – Employment Management Policies and Systems
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People - Employee Retention

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People – Health and Safety
KPI B2.2	Lost days due to work injury.	Our People – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People – Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Staff Education and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	Our People – Staff Education and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Staff Education and Development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Prohibition of Child and Forced Labour
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Supply Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Supply Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customer – Product and Services Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Customer – Product and Services Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Customer – Intellectual Property Protection, Data Protection and Privacy
KPI B6.4	Description of quality assurance process and recall procedures.	Our Customer – Product and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Customer – Intellectual Property Protection and Data Protection and Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect A7 Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethic
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Business Ethic
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethic
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethic
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Society – Community Investment and Our Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Society – Community Investment and Our Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Society – Community Investment and Our Contribution

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" are "comply or explain" provisions while others are recommended disclosures set out in the ESG Guide

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr SU Ertian ("Mr SU"), aged 59, is our founder, our executive Director, Chairman, Chief Executive Officer and one of the controlling shareholders (the "**Controlling Shareholders**"). Mr SU is also the general manager of Chesir Pearl. Mr SU has been the Chairman of Chesir Pearl since its establishment on 29 March 2011. Mr SU was appointed as a Director on 8 June 2018 and was redesignated as an executive Director on 22 December 2020. Mr SU was appointed as an executive director of CQV, a non-wholly owned subsidiary of the Company and a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240), on 23 August 2023. Mr SU is primarily responsible for determining our business strategies and overseeing the implementation thereof. Prior to establishing Chesir Pearl, Mr SU was working in a number of mining and trading companies in the PRC.

Mr SU was the Chairman of the 3rd Liuzhou Wenzhou Chamber of Commerce (第三屆柳州市溫州商會), Honorary Chairman of the 4th Liuzhou Wenzhou Chamber of Commerce (第四屆柳州市溫州商會), a representative of the 13th and 14th People's Congress of Liuzhou City (柳州市第十三、第十四屆人民代表大會), the vice chairman of the 13th and 14th Commerce of Liuzhou Federation of Industry and Commerce (第十三、第十四屆柳州市工商業聯合會) and a committee member of the 12th General Chamber of Commerce of the Guangxi Zhuang's Autonomous Region Federation of Industry and Commerce (第十二屆廣西壯族自治區工商業聯合會總商會).

Mr SU obtained an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in December 2012 by way of part-time studies. Mr SU was an adjunct professor at Hubei University of Technology (湖北工業大學), the PRC during September 2017 to September 2020.

Mr JIN Zengqin ("Mr JIN"), aged 56, is our executive Director and one of the Controlling Shareholders. Mr JIN is also the Deputy General Manager of Chesir Pearl. Mr JIN has been the executive director of Chesir Pearl as well as its Deputy General Manager since May 2011. Mr JIN is primarily responsible for overseeing sales operations and the implementation of our business strategies and initiatives. Prior to joining our Group, Mr JIN was working in a plastic manufacturing enterprise in the PRC for more than 15 years with his last position as the general manager.

Mr JIN is a member of the 9th Chinese People's Political Consultative Conference National Committee of Luzhai County (鹿寨縣第九屆政協委員) and the vice chairman of Luzhai County Federation of Industry and Commerce (鹿寨縣工商業聯合會).

Mr JIN obtained a bachelor's degree in economics from Hangzhou Institute of Commerce (杭州商學院), the PRC in July 1991, a bachelor's degree in business management from Guangxi University (廣西大學) the PRC in June 1996, a bachelor's degree in arts and design from Wuchang Institute of Technology (武昌理工學院), the PRC in December 2013 by way of part-time studies and an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in June 2020 by way of part-time studies.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr ZHOU Fangchao ("Mr ZHOU"), aged 42, is our executive Director and a joint company secretary of our Company. Mr ZHOU is also the Deputy General Manager of Chesir Pearl and the secretary to the board of directors of Chesir Pearl. Mr ZHOU joined our Group in April 2014 as an assistant to the chairman of the board of directors of Chesir Pearl and was promoted to the position of the Deputy General Manager in April 2015. Since September 2018, Mr ZHOU took on an additional role as the secretary to the board of directors of Chesir Pearl. In October 2020, Mr ZHOU was appointed as a director of Chesir Pearl.

Prior to joining our Group, Mr ZHOU worked as an engineer at SAIC-GM-Wuling Automobile (上汽通用五菱汽車股份有限公司), a sino-foreign joint venture in the PRC jointly established by Shanghai Automotive Group Co., Ltd., General Motors Corporation of the United States and Guangxi Automobile Group Co., Ltd. (formerly Liuzhou Wuling Automobile Co., Ltd.), during July 2005 to December 2007. Mr ZHOU then started his own business from July 2008 to February 2010. From March 2010 to March 2013, Mr ZHOU previously worked as a project director of an information technology company in Guangxi Province.

Mr ZHOU obtained a bachelor's degree in material forming and control engineering from Nanchang Institute of Aviation Industry (南昌航空工業大學) (currently known as Nanchang Aviation University (南昌航空大學)), the PRC in July 2005.

Mr BAI Zhihuan ("Mr BAI"), aged 41, is our executive Director and Vice President. Mr BAI joined the Group in 2014 and is currently the director and vice general manager of Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司), a non-wholly owned subsidiary of the Company. Mr BAI was appointed as an executive director of CQV, a non-wholly owned subsidiary of the Company and a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240) on 23 August 2023. Mr BAI is responsible for overseeing the sales and purchasing activities of the Group and day-to-day operations and management of the Group. Mr BAI graduated from Guangxi University of Science and Technology (廣西科技大學) with a bachelor's degree in business administration. He is a postgraduate of master of marketing management in Complutense University of Madrid (西班牙馬德里康普頓斯大學). Mr BAI is a nephew of Mr SU, the Chairman and Chief Executive Officer of the Company and one of the controlling shareholders of the Company.

Ms ZENG Zhu ("Ms ZENG"), aged 34, is our executive Director. Ms ZENG has joined Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) ("**Chesir Pearl**") since her graduation from The Guangxi University (廣西大學) in 2014 with a bachelor's degree in chemical engineering and technology. Initially working for Chesir Pearl as an inspector of incoming raw materials, Ms ZENG has been gradually promoted over the years to the positions of quality check team leader and quality check supervisor in 2016 and 2019, respectively. In September 2021, Ms ZENG has been promoted as the Chief Quality Officer of the Group and is responsible for the management of the quality control function of the Group.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr LIM Kwang-Su ("Mr LIM"), aged 61, is our executive Director, Vice President and Chief Technology Officer, majored in industrial chemistry at Hongik University of Technology.

Mr LIM served as the R&D Team Leader at Semo Chemical from 1986 to 1998 and the R&D Team Leader at Engelhard Korea from 1998 to 2000.

Mr LIM was a founding member who founded CQV in 2000 with Chang Gil-wan, and was in charge of business management for about 24 years across R&D, production, and management until now, and was appointed as the CEO of CQV on August 22, 2023. Mr. LIM has been appointed as the executive Director of the Group since 26 September 2024.

Mr LIM, has been in the pearl pigment business for 38 years and is a leading expert in the development and production of pearl effect pigments.

NON-EXECUTIVE DIRECTOR

Mr HU Yongxiang ("Mr HU"), aged 58, is a non-executive Director. Mr HU has also been a director of Chesir Pearl since October 2020. Mr HU is primarily responsible for formulating the overall implementation business plan of Chesir Pearl.

Mr HU graduated from Tongji University (同濟大學), the PRC with a master's degree in business administration in November 1998. Mr HU has over 20 years of experience in venture capital. Mr HU is a currently a general manager of Zhejiang Venture Capital Group Co., Ltd. and is experienced in successful listing of companies in the new materials industry, including Western Metal Materials Co., Ltd. (西部金屬材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002149) and Rutai Materials Tech Co., Ltd. (瑞泰科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002066). Mr HU was an assessor and entrepreneurial instructor for the new materials finals of the China Innovation and Entrepreneurship Competition (中國創新創業大賽新材料總決賽) from 2017 to 2019. Mr HU is currently the vice president of Zhejiang Venture Capital Association (浙江省創業投資協會).

Mr HU has been a director of Zhejiang Qinglian Food Co., Ltd (浙江青蓮食品股份有限公司), a company listed and quoted for trading on NEEQ on 17 March 2016 and was subsequently delisted on 21 July 2017, due to the reason of changes in strategic development planning since 28 June 2018.

Mr HU also has been appointed as the chairman of the supervisory board of Hangzhou Huaguang Welding New Material Co., Ltd. (杭州華光焊接新材料股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688379), since September 2017, a director of Hangzhou On Honest Tech. Corp., Ltd. (杭州安鴻科技股份有限公司), a company listed and quoted for trading on NEEQ and was subsequently delisted in February 2021, since January 2019, and a supervisor of Dongyang Qingyu Media Co., Ltd., (東陽青雨傳媒股份有限公司), a company listed and quoted for trading on NEEQ (stock code: 832698), since March 2018, respectively.

Mr HU was a director of China Building Material Test & Certification Group Co., Ltd. (中國建材檢驗認證集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603060), from February 2016 to February 2021.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr HUI Chi Fung (“**Mr HUI**”), aged 66, is an independent non-executive Director. Mr HUI currently is the sole proprietor of Hui Chi Fung Certified Public Accountant. Mr Hui serves as an executive council member and the vice chairman of Corporate Governance Committee and Membership & Talent Committee of The Hong Kong Independent Non-Executive Director Association. Mr HUI holds a MBA degree from The University of Western Ontario. Mr HUI is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a member of Chartered Professional Accountants of Canada.

Mr HUI is an experienced business executive with solid accounting and finance background and over 30 years of work experience in information and communications technology and consumer service industry. Mr HUI retired from Fuji Xerox (Hong Kong) Limited (“**Fuji Xerox HK**”), a subsidiary of FUJIFILM Holdings Corporation, a company listed on The Tokyo Stock Exchange (stock code: TYO: 4901) and Xerox Holdings Corporation, a company listed on NASDAQ (stock code: NASDAQ: XRX), in October 2019. Before his retirement, Mr HUI served as the managing director of Fuji Xerox HK. During his 30 years of work experience in Fuji Xerox HK, Mr HUI was involved in the Fuji Xerox HK’s operation including equipment leasing, corporate finance and control, legal and internal audit in Hong Kong and China. Mr HUI also assisted the Fuji Xerox HK in the implementation of the enterprise risk management systems, and the environmental, social and governance initiatives and the establishment of internal audit team in both Hong Kong and China.

Professor HAN Gaorong (“**Professor HAN**”), aged 62, is an independent non-executive Director. Professor HAN will provide independent advice and opinion on our strategy, performance, resources and financial operations. Professor HAN is currently a distinguished professor of Zhejiang University (浙江大學), the PRC.

Professor HAN is mainly engaged in the research on inorganic functional nano-materials and new energy saving coated glass. Professor HAN has authored various articles covering topics of the preparation, structure, performance and application of nano-semiconductor thin film materials. Professor HAN had participated in teaching and research projects established by the National Natural Science Foundation of China (國家自然科學基金委員會), China Innovation Funding (國家重點研發計畫) and National Key Technology Research and Development Program of the Ministry of Science and Technology of China (國家科技支撐計畫). Professor HAN was awarded the second prize of National Science and Technology Progress Award (國家科技進步二等獎) in 2008 and first prize of Zhejiang Province Science and Technology Progress Award (浙江省科技進步一等獎) in 2004 and 2013, respectively. In 2004, Professor HAN was also awarded special government allowances of the State Council (國務院政府特殊津貼).

Professor HAN obtained a bachelor’s degree and a doctoral degree in material science and engineering from Zhejiang University (浙江大學), the PRC, in July 1983 and December 1989, respectively. During April 1988 to July 1989, Professor HAN participated in overseas doctoral training at Tokyo Institute of Technology, Japan.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr LEUNG Kwai Wah Alex ("Mr LEUNG"), aged 72, is an independent non-executive Director. Mr LEUNG has over 30 years of experience in banking and finance. Mr LEUNG is a fellow member of Governance Institute of Australia, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), Hong Kong Institute of Directors and Hong Kong Securities and Investment Institute. Mr LEUNG is also a full member of Hong Kong Treasury Markets Association.

Mr LEUNG was working in various multinational banks. From March 1982 to May 1986, Mr LEUNG worked in the Hong Kong branch of Manufacturers Hanover Trust Company with his last position as a manager. From June 1986 to July 1988, Mr LEUNG was working as an assistant vice president in the Hong Kong branch of National Westminster Bank USA. Mr LEUNG was a product manager at the headquarters of Canadian Imperial Bank of Commerce during March 1992 to January 1995 and as a relationship manager in Credit Suisse, Hong Kong branch, from September 2006 to January 2008. Mr LEUNG has been an independent non-executive director of New City Development Group Limited, a company listed on the Stock Exchange, since June 2016 (stock code: 00456).

Mr LEUNG obtained a diploma in business management from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1979 and a Master of Business Administration degree from Illinois State University, USA in 1981.

Professor CHEN Fadong ("Professor CHEN"), aged 37, is an independent non-executive Director.

Professor CHEN currently serves as a tenured associate professor in the Department of Data Science and Management Engineering, School of Management, Zhejiang University, the People's Republic of China ("PRC") since January 2024. Professor CHEN served as a ZJU100 Young Professor (百人計劃研究員) at Zhejiang University, the PRC from August 2017 to December 2023. In the meantime, Professor CHEN is (i) a core member of the provincial key laboratory of philosophy and social sciences, and (ii) a deputy secretary-general of the neuroeconomic management professional committee of the Chinese Society of Technology Economics. Professor CHEN has been appointed as an independent non-executive Director of the Group since 26 September 2024.

Professor CHEN obtained a doctorate degree in economics from the University of Konstanz of Germany in 2017, a master degree in management science and engineering from the Northeastern University of the PRC in 2011, and a bachelor degree in information management and information systems from the Northeastern University of the PRC in 2009.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr DONG Wenta ("Mr DONG"), aged 58, joined Chesir Pearl in January 2013 as a financial manager and was promoted as the Chief Financial Officer of Chesir Pearl in April 2016. In February 2018, Mr DONG was further promoted as the Deputy General Manager of Chesir Pearl and was appointed as the Deputy General Manager of Chesir Pearl in February 2018. Mr DONG is responsible for monitoring the corporate finance matters of our Group.

Mr DONG has over 35 years of experience in accounting and financial management. Mr DONG is a certified public accountant and an international registered internal auditor in the PRC. From August 1985 to July 2005, Mr DONG worked for the local government of Zhejiang Province for 20 years with his last position as the financial manager of Pingyang Salt Management Bureau (浙江省平陽縣鹽務局). From August 2005 till joining our Group in January 2013, Mr DONG served as a member of the senior management in companies across various industries including coal-mining, investments and financial services in the PRC.

In December 1994, Mr DONG obtained professional certificate in business management from Hangzhou University of Commerce (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)), the PRC. Mr DONG did not hold any directorship in any listed companies during the last three years.

Professor FU Jiansheng ("Professor FU"), aged 70, joined Chesir Pearl in May 2015 as Chief Engineer after his retirement as a professor from Hubei University of Technology (湖北工業大學). Professor FU is responsible for the supervision of the research and development and production activities of our Group. Professor FU was a professor of Hubei University of Technology (湖北工業大學) from 2010 to April 2015.

Professor FU has substantial experience in research and development of pearlescent pigment materials and is the inventor of 18 registered patents in the PRC and one registered patent in Japan.

Professor FU obtained a bachelor's degree in chemical engineering from Hubei Institute of Light Industry (湖北輕工業學院) (currently known as Hubei University of Technology (湖北工業大學)), the PRC in July 1982. Professor FU did not hold any directorship in any listed companies during the last three years.

Mr MAK Hing Keung, Thomas ("Mr MAK"), aged 62, was an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee until 5 September 2022. Mr MAK has been appointed as the Chief Financial Officer of the Group on 5 September 2022. Mr MAK was appointed as an executive director of CQV, a non-wholly owned subsidiary of the Company and a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240) on 29 August 2023. Mr MAK has over 30 years of work experience in accounting and financial management. In May 1989, Mr MAK obtained a bachelor's degree of commerce from Queen's University, Canada. Mr MAK is currently a member of the Canadian Institute of Chartered Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr MAK was the Principal of the CFO Centre (Hong Kong) during the period from March 2022 to September 2022 and was the chief financial officer of Ke Chuan Holding Co. Limited during the period from February 2021 to January 2022. Before that appointment, Mr MAK was the chief financial officer of M800 Limited from April 2020 to January 2021 and Fortunet E-Commerce Group Limited (currently known as Changyou Alliance Group Limited), a company listed on the main board of the Stock Exchange (stock code: 01039) from January 2017 to January 2020. Mr MAK currently is an independent non-executive director of China PengFei Group Limited (stock code: 03348) and Tao Heung Holdings Limited (stock code: 00573), both of which are listed on main board of the Stock Exchange.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr KIM Sang Bae ("Mr KIM"), aged 61, is our Vice President and Chief Strategy Officer.

Before joining our Group in January 2023, Mr KIM has over 30 years' working experience in the field of the global capital market and international business strategy. He started his career as Representative of International Arbitration at Korea Exchange Bank (Current Hana Bank) from January 1989 to March 1991. Then, Mr KIM worked as Equity Analyst for SsangYong Investment & Securities Co., Ltd. (Current Shinhan Investment Co., Ltd.) from September 1994 to June 1997. From September 1997 to May 2000, Mr KIM worked as Senior Investment Analyst for Jardine Fleming Securities (Current JPMorgan Chase). Then, Mr KIM worked as Chief Consultant & President for Value C&I Consulting Co., Ltd. from June 2000 to June 2017. From July 2017 to August 2020, Mr KIM worked as Chief Consultant & President for CornerStone 9 Consulting Co., Ltd.

Mr KIM obtained a BA Degree in Industrial Psychology from Sungkyunkwan University, Seoul, Korea in February 1987; a BA Degree in Business Administration and Accounting from Sogang University, Seoul, Korea in February 1989; and an MBA Degree majoring in Finance from Indiana University, Bloomington, Indiana, USA in May 1994.

On 23 August 2023, Mr KIM was appointed as an executive director of CQV, a non-wholly owned subsidiary of the Company and a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240).

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF
GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global New Material International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 144 to 245, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of trade and bills receivables</i></p> <p><i>Refer to note 28 to the consolidated financial statements.</i></p> <p>As at 31 December 2024, the Group had gross trade and bills receivables of approximately RMB517,055,000 and allowance for doubtful debts of approximately RMB4,582,000.</p> <p>In general, the credit terms granted by the Group to customers ranged between 30 days to 180 days. Management performed periodic assessments of the recoverability of trade receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade debtors, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.</p> <p>The inherent risk in relation to the impairment assessment of trade and bills receivables is considered significant because the impairment assessment of trade and bills receivables under the expected credit losses model involved the use of significant management judgements and estimates which were subjective. Therefore, we identified the impairment assessment of trade and bills receivables as a key audit matter.</p>	<p>Our procedures in relation to management's impairment assessment of trade and bills receivables included:</p> <ul style="list-style-type: none"> – Understanding and evaluating key internal controls over the Group's impairment assessment of trade and bills receivables; – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including subjectivity; – Evaluating the outcome of prior period assessment of impairment of trade receivables and bills receivables to assess the effectiveness of management's estimation process; – Assessing whether trade debtors had been appropriately grouped by management based on their shared credit risk characteristics; – Assessing the external valuer's qualifications, experience and expertise and considering their objectivity; – Testing the accuracy and completeness of the data used by external valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment assessment of trade and bills receivables (continued)</i>	<p>Our procedures in relation to management's impairment assessment of trade and bills receivables included <i>(continued)</i>:</p> <ul style="list-style-type: none">– Testing, on a sample basis, the accuracy of the ageing of trade and bills receivables to supporting documents;– With the assistance of our engaged valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; and– Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade and bills receivables outstanding at the reporting date.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of goodwill</i></p> <p><i>Refer to note 22 to the consolidated financial statements.</i></p> <p>As at 31 December 2024, the Group had gross goodwill of approximately RMB94,160,000 which arose from the acquisition of CQV Co., Ltd. in 2023. No impairment loss has been provided during the year.</p> <p>Goodwill is tested for impairment annually, and whenever indications of impairment were identified.</p> <p>Management assessed the recoverable amounts of the separately identifiable cash-generating unit ("CGU") to which the goodwill and other relevant assets were allocated, based on value in use calculated by using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular the forecast revenue growth rates, the forecast operating expenses levels, the terminal growth rate and the discount rates applied.</p>	<p>Our procedures in relation to management's impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – assessing management's identification of the CGU, with the assistance of our engaged valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by management to assist management to determine the value in use of the CGU;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of goodwill (continued)</i></p> <p>The inherent risk in relation to the impairment assessment of goodwill is considered significant because the impairment assessment and forecast future cash flows associated with the CGU, involved the use of significant management judgements and estimates which were subjective. Therefore, we identified the impairment assessment of goodwill as a key audit matter.</p>	<p>Our procedures in relation to management's impairment assessment of goodwill included <i>(continued)</i>:</p> <ul style="list-style-type: none">– obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include forecast sales growth rates, and operating expenses levels, with the financial budget approved by the directors of the Company, available relevant external data and our own views based on our experience and knowledge of the industry in which the CGU operates;– utilising our engaged valuation expert to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to the terminal growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGU. This evaluation included researching public information and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; and– challenging the adequacy of disclosure in the consolidated financial statements in respect of impairment assessments of goodwill.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tam Shing Yu.

RSM Hong Kong

Certified Public Accountants

Hong Kong

31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Revenue	7	1,648,763	1,064,055
Cost of goods sold		(764,105)	(528,035)
Sales related tax and auxiliary charges		(10,999)	(7,691)
Gross profit		873,659	528,329
Other income, other gains and losses	8	2,437	27,955
Reversal of impairment losses on trade, bills and other receivables, net		6,607	618
Selling expenses		(95,534)	(62,803)
Administrative and other operating expenses		(262,441)	(188,636)
Profit from operations		524,728	305,463
Finance costs	10	(118,436)	(51,432)
Profit before tax		406,292	254,031
Income tax expense	11	(86,020)	(40,746)
Profit for the year	12	320,272	213,285
Attributable to:			
Owners of the Company		242,176	181,578
Non-controlling interests		78,096	31,707
		320,272	213,285
Earnings per share	16		
– Basic (RMB)		0.19	0.15
– Diluted (RMB)		0.19	0.15

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	320,272	213,285
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement losses on defined benefit pension plan	(4,822)	(4,925)
Income tax on item that will not be reclassified to profit or loss	1,007	1,029
	(3,815)	(3,896)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(48,403)	518
Other comprehensive income for the year, net of tax	(52,218)	(3,378)
Total comprehensive income for the year	268,054	209,907
Attributable to:		
Owners of the Company	220,006	180,186
Non-controlling interests	48,048	29,721
	268,054	209,907

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,447,877	1,105,166
Right-of-use assets	18	144,324	66,265
Intangible assets	19	15,003	23,787
Prepayments for construction in progress	20	401,418	—
Deposits paid for acquisition of property, plant and equipment	21	70,000	—
Goodwill	22	94,160	104,171
Restricted deposits	23	2,050	2,050
Defined benefit assets, net	38	723	5,246
Deposits and other receivables	29	1,551	1,418
Escrow deposit	25	496,427	—
Long term time deposit	26	50,000	—
Deferred tax assets	36	8,367	11,835
Total non-current assets		2,731,900	1,319,938
Current assets			
Inventories	27	310,264	237,319
Trade and bills receivables	28	512,473	365,313
Deposits, prepayments and other receivables	29	57,420	27,803
Derivative component of convertible bond	37	733	—
Restricted deposits	23	—	375
Tax recoverable		317	1,058
Restricted bank deposit	26	30,000	—
Bank and cash balances	26	3,411,401	3,203,476
Total current assets		4,322,608	3,835,344
TOTAL ASSETS		7,054,508	5,155,282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	30	103,701	103,701
Reserves	32	3,272,796	3,052,789
		3,376,497	3,156,490
Non-controlling interests		976,628	928,655
Total equity		4,353,125	4,085,145
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings	33	1,126,800	94,614
Convertible bond	37	333,715	313,029
Lease liabilities	34	5,103	3,046
Other payables	40	1,748	468
Deferred revenue	35	7,487	6,319
Deferred tax liabilities	36	11,431	17,981
Total non-current liabilities		1,486,284	435,457
Current liabilities			
Bank loans and other borrowings	33	602,212	232,376
Convertible bonds	37	349,574	263,113
Derivative component of convertible bonds	37	13,080	5,706
Lease liabilities	34	3,842	1,863
Trade payables	39	89,013	33,257
Accruals and other payables	40	127,885	84,820
Contract liabilities	41	21	184
Deferred revenue	35	8,770	4,614
Current tax liabilities		20,702	8,747
Total current liabilities		1,215,099	634,680
TOTAL EQUITY AND LIABILITIES		7,054,508	5,155,282

Approved by the Board of Directors on 31 March 2025 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	99,319	703,444	726,299	137,549	(18)	77,857	612,990	2,357,440	185,886	2,543,326
Profit for the year	—	—	—	—	—	—	181,578	181,578	31,707	213,285
Other comprehensive income	—	—	—	—	261	—	(1,653)	(1,392)	(1,986)	(3,378)
Total comprehensive income for the year	—	—	—	—	261	—	179,925	180,186	29,721	209,907
Transactions with owners in their capacity as owners:										
Shares issued for acquisition of a subsidiary (note 30)	4,382	182,928	—	—	—	—	—	187,310	—	187,310
Acquisition of a subsidiary (note 42(a))	—	—	—	—	—	—	—	—	186,886	186,886
Acquisition of non-controlling interests (note 42(b)(i) & (ii))	—	—	(723)	—	—	—	—	(723)	(179,461)	(180,184)
Disposal of non-controlling interests (note 42(b)(iii))	—	—	(10,711)	—	—	—	—	(10,711)	148,611	137,900
Deemed disposal of a subsidiary without change in control (note 42(b)(iv))	—	—	442,988	—	—	—	—	442,988	557,012	1,000,000
Transfer of statutory reserve	—	—	—	—	—	5,124	(5,124)	—	—	—
	4,382	182,928	431,554	—	—	5,124	(5,124)	618,864	713,048	1,331,912
At 31 December 2023	103,701	886,372	1,157,853	137,549	243	82,981	787,791	3,156,490	928,655	4,085,145
At 1 January 2024	103,701	886,372	1,157,853	137,549	243	82,981	787,791	3,156,490	928,655	4,085,145
Profit for the year	—	—	—	—	—	—	242,176	242,176	78,096	320,272
Other comprehensive income	—	—	—	—	(20,550)	—	(1,619)	(22,169)	(30,049)	(52,218)
Total comprehensive income for the year	—	—	—	—	(20,550)	—	240,557	220,007	48,047	268,054
Transactions with owners in their capacity as owners:										
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(74)	(74)
	—	—	—	—	—	—	—	—	(74)	(74)
At 31 December 2024	103,701	886,372	1,157,853	137,549	(20,307)	82,981	1,028,348	3,376,497	976,628	4,353,125

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		406,292	254,031
Adjustments for:			
Finance costs		118,436	51,432
Interest income		(17,161)	(11,712)
Depreciation on:			
– property, plant and equipment		76,783	58,848
– right-of-use assets		4,474	2,252
Amortisation of:			
– intangible assets		6,947	2,988
– deferred revenue		(3,297)	(6,256)
Reversal of impairment losses on trade, bills and other receivables, net		(6,607)	(618)
Allowance for inventories		2,968	117
Property, plant and equipment written off		3	—
Gain on termination of a lease contract		(14)	—
Fair value gain on derivative component of convertible bonds		(3,643)	(2,913)
Net foreign exchange losses		—	58
Operating profit before working capital changes		585,181	348,227
(Increase)/decrease in inventories		(87,081)	2,767
(Increase)/decrease in trade and bills receivables		(147,244)	1,433
Increase in deposits, prepayments and other receivables		(29,584)	(1,796)
Increase in trade payables		56,351	2,425
Increase in defined benefit assets		(568)	(106)
Increase in deferred revenue		9,487	4,217
Increase/(decrease) in accruals and other payables		42,424	(11,044)
Decrease in contract liabilities		(145)	(339)
Cash generated from operations		428,821	345,784
Tax paid		(74,489)	(38,653)
Interest expenses of lease liabilities		(323)	(108)
Interest paid		(81,921)	(23,806)
Net cash generated from operating activities		272,088	283,217
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
– property, plant and equipment		(441,817)	(161,717)
– intangible assets		(69)	—
– leasehold land		(76,034)	—
– a subsidiary	42(a)	—	(62,485)
Payment for:			
– prepayments for construction in progress		(401,418)	—
– deposit for acquisition of property, plant and equipment		(70,000)	—
– escrow deposit		(496,427)	—
Payments for right-of-use assets		—	(155)
Withdrawal/(placement) of restricted deposits		375	(2,425)
(Placement)/withdrawal of time deposits		(80,000)	160,000
Interest received		16,436	11,712
Net cash used in investing activities		(1,548,954)	(55,070)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from bank loans and other borrowings raised		1,699,063	234,417
Repayment of bank loans and other borrowings		(272,200)	(201,270)
Principal elements of lease payments		(2,384)	(464)
Payment for the acquisition of non-controlling interests in a subsidiary	42(b)(i), (ii)	—	(180,184)
Proceeds from:			
– disposal of partial interest in a subsidiary	42(b)(iii)	—	137,900
– deemed disposal of partial interest in a subsidiary	42(b)(iv)	—	1,000,000
– issuance of convertible bonds, net		77,502	261,346
Dividend paid to non-controlling interests of a subsidiary		(74)	—
Net cash generated from financing activities		1,501,907	1,251,745
NET INCREASE IN CASH AND CASH EQUIVALENTS		225,041	1,479,892
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(17,116)	857
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,203,476	1,722,727
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,411,401	3,203,476
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	26	3,411,401	3,203,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Global New Material International Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, the People’s Republic of China (the “PRC”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”). IFRS Accounting Standards comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

The Group has applied the following amendments to IFRS Accounting Standards issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and HKFRS 7	Supplier Finance Arrangements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

(a) Application of new and revised IFRS Accounting Standards *(continued)*

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

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

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

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

The IAS 1 Amendments have also clarified what IAS 1 aims to mean when it refers to ‘settlement’ of a liability. Under the IAS 1 Amendments, terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an ‘equity instrument’. However, conversion options that are classified as a ‘liability’ must be considered when determining the current/non-current classification of a convertible instrument. In the past, such conversion options, whether classified as an equity instrument or liability, did not affect the current/non-current classification of its host liability. The adoption of the IAS 1 Amendments has resulted in a change in the Group’s accounting policy on current/non-current classification of convertible instruments and the impact of which is summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

(a) Application of new and revised IFRS Accounting Standards *(continued)*

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

Global New Material International Holdings Limited issued United States dollars-denominated convertible bond maturing on 7 November 2025 and the carrying amount of which RMB263,113,000 was classified as a non-current liability as at 31 December 2023 (1 January 2023: Nil). The conversion option does not meet the definition of an equity instrument and can be exercised at holder’s discretion at any time. Due to the abovementioned change in the Group’s accounting policy on convertible instruments, the convertible bond has been reclassified as a current liability retrospectively by restating the balances as at 31 December 2023 and 1 January 2023 as follows:

	As previously reported RMB’000	Effect of change in accounting policy RMB’000	As restated RMB’000
As at 31 December 2023			
Convertible bond – current	—	263,113	263,113
Convertible bond – non-current	263,113	(263,113)	—

The following table illustrates the amounts that would have been in the Group’s consolidated statement of financial position as at 31 December 2024 if the IAS 1 Amendments had not been adopted:

	As reported RMB’000	Backing out effect of change in accounting policy RMB’000	If accounting policy had not been changed RMB’000
As at 31 December 2024			
Convertible bond – current	284,489	(284,489)	—
Convertible bond – non-current	—	284,489	284,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

(a) Application of new and revised IFRS Accounting Standards *(continued)*

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

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Group provided the new disclosures in notes 6(c) and 33(g).

Except for the above, other amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Revised IFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. The Group has not early applied the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 21 and IFRS 1 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

(b) Revised IFRS Accounting Standards in issue but not yet effective *(continued)*

IFRS 18 "Presentation and Disclosure in Financial Statements"

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

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

(a) Consolidation

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

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(a) Consolidation *(continued)*

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss. Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are, with limited exceptions, measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Foreign currency translation *(continued)*

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

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

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

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

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(e) Property, plant and equipment

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

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

With the exception of freehold land which is not depreciated, depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	3 - 5 years
Leasehold improvements	3 years

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction capitalised during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. Depreciation begins when the relevant assets are available for use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases

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

(i) The Group as a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group entities, which do not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases *(continued)*

(i) The Group as a lessee *(continued)*

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases *(continued)*

(ii) Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

(g) Intangible assets

(i) Internally-generated intangible assets – research and development cost

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs that are attributable to the design and testing of identifiable and unique products and techniques controlled by the Group are recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Intangible assets *(continued)*

- (ii) Intangible assets acquired separately – trademark, customer relationships, industrial property rights, software and development costs

Trademarks, customer relationships, industrial property rights, software and development costs acquired in a business combination are recognised separately from goodwill and initially recognised at fair value at the acquisition date (which is recognised as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

Trademark	10 years
Customer relationships	15 years
Industrial property rights	5 - 10 years
Software	5 years
Development costs	5 years

(h) Inventories

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

(i) Contract assets and contract liabilities

Contract assets are recognised when the Group recognises revenue before being unconditionally entitled to consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(y) and are reclassified to receivables when the right to the consideration has become unconditional.

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(j) Recognition and derecognition of financial instruments

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

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(k) Financial assets *(continued)*

Debt investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from investment is calculated using the effective interest method.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(l) Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(n) Financial liabilities and equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(p) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at FVTPL until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The liability component is classified as a current liability when the conversion option, which is classified as a liability derived, can be exercised at the option of the holder at any time or within 12 months from the end of the reporting date.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivatives and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(q) Trade and other payables

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

(r) Equity instruments

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

(s) Revenue and other income

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits

(i) Employee leave entitlements

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

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

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and PRC. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

For the defined benefit retirement plans, the liability (asset) recognised in the consolidated statement of financial position is the present value of the defined benefit obligation less the fair value of plan assets. When there is a surplus in a defined benefit plan, the net defined benefit asset is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. If there is no deep market in such bonds, the market rates on government bonds denominated in that currency are used.

Remeasurements of the net defined benefit liability (asset) - which include actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)), and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)) - are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits *(continued)*

(ii) Pension obligations *(continued)*

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reduction in future contributions to the plan.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits *(continued)*

(iii) Termination benefits

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

(u) Borrowing costs

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

(v) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Taxation *(continued)*

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

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

Certain companies within the Group may be entitled to claim special tax deductions in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in PRC). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(x) Impairment of non-financial assets

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

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

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

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the management at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables, restricted deposits and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Significant increase in credit risk *(continued)*

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

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

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

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

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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

(z) Provisions and contingent liabilities

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

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

(aa) Events after the reporting period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

(a) Consolidation of entity with less than 50% equity interest holding

CQV Co., Ltd. ("CQV") is a subsidiary of the Group although the Group has only 42.45% ownership interest and voting rights in CQV. CQV is listed on The Korean Securities Dealers Automated Quotations of The Korea Exchange. The Group has 42.45% ownership since 22 August 2023 and the remaining 57.55% of shareholdings are owned by thousands shareholders that are unrelated to the Group. Details of CQV are set out in note 24.

The directors of the Company assessed whether the Group has control over CQV based on whether the Group has the practical ability to direct the relevant activities of CQV unilaterally. In making the judgement, the directors of the Company considered the Group's absolute size of holding in CQV and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of CQV and therefore the Group has control over CQV.

(b) Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

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

(a) Deferred tax asset

As at 31 December 2024, no deferred tax asset has been recognised on the tax losses of approximately RMB6,860,000 (2023: RMB7,675,000) for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(b) Impairment of goodwill

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

The carrying amount of goodwill at the end of the reporting period was approximately RMB94,160,000 (2023: RMB104,171,000) and no impairment loss was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2024 were approximately RMB1,447,877,000 (2023: RMB1,105,166,000) and RMB144,324,000 (2023: RMB66,265,000) respectively.

(d) Impairment of trade and bills receivables

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

As at 31 December 2024, the carrying amount of trade and bills receivables was approximately RMB512,473,000 (net of allowance for doubtful debts of RMB4,582,000) (2023: RMB365,313,000 (net of allowance for doubtful debts of RMB12,100,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(e) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the year ended 31 December 2024, allowance for slow-moving inventories of approximately RMB2,968,000 was made (2023: RMB117,000).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customers' taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(f) Fair value of derivative component

As disclosed in note 37 to the consolidated financial statements, the fair value of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative financial liabilities, net as at 31 December 2024 was approximately RMB12,347,000 (2023: RMB5,706,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(g) Actuarial assumptions on defined benefit retirement plans

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefit obligations are measured using the Projected Unit Credit Method ("PUCM"), according to which the Group has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques. In addition, in cases where defined benefit plans are funded, the Group has to estimate the fair value of plan assets. As a result, the use of the PUCM involves a number of actuarial assumptions. These assumptions include demographic assumptions such as mortality, turnover and retirement age and financial assumptions such as discount rates, salary and benefit levels. Such assumptions are subject to judgements and may develop materially differently than expected and therefore may result in significant impacts on defined benefit obligations.

The carrying amount of defined benefit assets, net as at 31 December 2024 was approximately RMB723,000 (2023: RMB5,246,000).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as its business transactions, assets and liabilities are principally denominated in Korean Won ("KRW"), Hong Kong ("HK\$"), United States dollars ("US\$"), Japanese Yen ("JPY"), and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Foreign currency risk *(continued)*

The impact to the Group's consolidated profit after tax that might be resulted from the reasonable possible changes in the foreign exchange rates against the RMB to which the Group has significant exposure as at the end of the reporting date is summarised below.

	2024		2023	
	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax
HK\$	5%	(1,588)	5%	(421)
US\$	5%	(9,183)	5%	(7,650)
JPY	5%	267	5%	407
EUR	5%	(6,751)	5%	(352)

Decrease in the above foreign exchange rates by 5% (2023: 5%) would affect the profit after tax by the same amount but in the opposite direction.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with acceptable credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which expose the Group to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing. Debtors with balances that are more than 90-180 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 89% (2024: 84%) of the total trade receivables as at 31 December 2024. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2024:

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.42%	511,147	2,150
1 - 90 days past due	6.85%	1,329	91
91- 365 days past due	8.73%	2,452	214
Over 1 year past due	100%	2,127	2,127
		517,055	4,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables *(continued)*

		2023	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.49%	365,631	9,091
1 - 90 days past due	0.26%	8,790	23
91- 365 days past due	N/A	6	—
Over 1 year past due	100.00%	2,986	2,986
		377,413	12,100

Expected loss rates are based on actual loss experience over the past 1 (2023: 1) year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2024 RMB'000	2023 RMB'000
At 1 January	12,100	10,990
Acquisition of a subsidiary	—	1,779
Impairment losses recognised for the year	34,104	523
Reversal of impairment losses for the year	(40,711)	(1,191)
Written off during the year	(717)	—
Exchange differences	(194)	(1)
At 31 December	4,582	12,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Financial assets at amortised cost

All of the Group's financial instruments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables.

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

	2024 RMB'000	2023 RMB'000
At 1 January	309	259
Impairment losses recognised for the year	—	52
Reversal of impairment losses for the year	—	(2)
At 31 December	309	309

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors of the Company when the borrowing exceeds certain predetermined level of authority.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As disclosed in note 33, certain of the Group's banking and borrowing facilities are subject to the fulfillment of covenants. Some of those covenants relate to the Group's financial covenants, which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach these covenants, the related loans would become payable on demand. Information about the covenants for those bank and other borrowings classified as non-current, subject to the Group complying with covenants after the reporting period is set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

Loans	Carrying amount		Covenant(s)	Timing to comply with
	2024 RMB'000	2023 RMB'000		
A	740,358	—	<p>Prior to acquisition of business completion:</p> <ul style="list-style-type: none"> The Group required to maintain its aggregate cash and cash equivalent not less than its financial indebtedness. The same requirement applies separately to subsidiaries within the PRC and subsidiaries outside the PRC. <p>Post acquisition of business completion:</p> <p>The Group must maintain its attributable net debt to earnings before interest, taxes, depreciation and amortisation ("EBITDA") ratio within specified limits:</p> <ul style="list-style-type: none"> Less than 5.0 times for periods ending on or before 31 December 2025 Less than 4.0 times for periods ending on 30 June 2026 and 31 December 2026. Less than 3.5 times for all subsequent periods. 	Semi-annually in March and September
B	130,940	—	<p>Guangxi Chesir Pearl Material Co., Ltd. ("Chesir Pearl") is required to maintain:</p> <ul style="list-style-type: none"> Debt-to-equity ratio less than 65% Current ratio exceeds 1.0 Contingent liability ratio less than 30% of net assets Long-term investments less than 40% of net assets 	Continuous

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

Up to the date of these consolidated financial statements, there are no indications that the Group would have difficulties complying with the above covenants when they are next tested.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average interest rate %	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024						
Trade payables		89,013	—	—	89,013	89,013
Accruals and other payables		127,885	388	1,360	129,633	129,633
Bank loans and other borrowings (note)						
– fixed rate	6.89%	452,235	71,626	907,669	1,431,530	1,161,777
– variable rate	3.68%	244,428	210,932	133,670	589,030	567,235
Convertible bonds	12.30%	331,311	393,466	85,055	809,832	683,289
Lease liabilities	5.49%	4,169	3,392	1,946	9,507	8,945
		1,249,041	679,804	1,129,700	3,058,545	2,639,892
At 31 December 2023						
Trade payables		33,257	—	—	33,257	33,257
Accruals and other payables		84,820	468	—	85,288	85,288
Bank loans and other borrowings (note)						
– fixed rate	5.26%	305,358	32,019	3,689	341,066	326,990
Convertible bonds	12.19%	35,998	319,306	310,500	665,804	576,142
Lease liabilities	7.36%	2,104	1,943	1,271	5,318	4,909
		461,537	353,736	315,460	1,130,733	1,026,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

Note: Other borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2024 and 31 December 2023, the aggregate undiscounted principal amounts of these other borrowings amounted to approximately RMB31,900,000 and RMB55,062,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment. The directors believe that such other borrowings will be repaid one to four years (2023: one to three years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately RMB33,963,000 (2023: RMB59,032,000).

(d) Interest rate risk

Certain of the Group's bank loans and other borrowings bear interest at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank loans and bank deposits. These bank loans and deposits bear interests at variable rates that varied with the then prevailing market condition.

At 31 December 2024, it is estimated that a general increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

	2024 RMB'000	2023 RMB'000
Increase/(decrease) in interest rates		
100 basis points	29,979	26,956
(100) basis points	(29,979)	(26,956)

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained earnings that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments at 31 December

	2024 RMB'000	2023 RMB'000
Financial assets		
Derivative component of convertible bond	733	-
Financial assets measured at amortised cost	4,563,837	3,574,965
Financial liabilities		
Derivative component of convertible bonds	13,080	5,706
Financial liabilities measured at amortised cost	2,630,947	1,021,677
Lease liabilities	8,945	4,909

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

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

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
– Pearlescent pigment	1,528,263	964,003
– Functional mica filler and related products	98,689	89,433
– Trading of pigment	21,664	10,593
– Others	147	26
	1,648,763	1,064,055

The Group derives revenue from the transfer of goods at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Agent income	78	—
Fair value gain on derivative component of convertible bonds	3,643	2,913
Gain on termination of a lease contract	14	—
Government grants (note)	4,613	8,317
Interest income on bank deposits	17,161	11,712
Property, plant and equipment written off	(3)	—
Net foreign exchange (losses)/gains	(23,553)	4,830
Sundry income	484	183
	2,437	27,955

Note: Government grants are mainly related to the subsidies and rewards received from the local government authority for research and development and the achievements accomplished by the Group.

9. SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors of the Company.

The Group has identified two reportable segments as follows:

PRC Business Operation — manufacturing and sales of pearlescent pigment and functional mica filler in the PRC

Korea Business Operation — manufacture and sale of pearlescent pigment

The Group's reportable segments are strategic business units that are managed by separate management. They are managed separately because each business requires different marketing strategies.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, other income, other gains and losses, finance costs and income tax credit or expenses. Segment assets do not include unallocated right-of-use assets, property, plant and equipment, escrow deposit, tax recoverable and bank and cash balances. Segment liabilities do not include unallocated accruals and other payables, convertible bonds, borrowings, derivative component of convertible bonds, lease liabilities and current tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities:

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Year ended 31 December 2024			
Revenue from external customers	1,332,170	316,593	1,648,763
Intersegment revenue	2,012	—	2,012
Total revenue of reportable segments	1,334,182	316,593	1,650,775
Segment profit	425,535	38,362	463,897
Interest income	7,733	389	8,122
Interest expense	58,400	5,626	64,026
Depreciation and amortisation	56,825	29,497	86,322
Other material items of income and expense:			
– Cost of inventories sold	574,395	189,710	764,105
– Staff costs	86,838	100,989	187,827
Income tax expense	70,551	15,469	86,020
Additions to segment non-current assets	981,272	14,810	996,082
As at 31 December 2024			
Segment assets	5,409,519	557,957	5,967,476
Segment liabilities	1,456,012	155,793	1,611,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities: *(continued)*

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Year ended 31 December 2023			
Revenue from external customers	960,949	103,106	1,064,055
Intersegment revenue	388	—	388
Total revenue of reportable segments	961,337	103,106	1,064,443
Segment profit	266,560	8,946	275,506
Interest income	8,882	85	8,967
Interest expense	20,656	1,369	22,025
Depreciation and amortisation	53,595	9,871	63,466
Other material items of income and expense:			
– Cost of inventories sold	459,035	69,000	528,035
– Staff costs	78,252	29,812	108,064
Income tax expense	39,668	1,078	40,746
Additions to segment non-current assets (other than those arising from the acquisition of CQV)	159,489	1,263	160,752
As at 31 December 2023			
Segment assets	4,180,031	617,378	4,797,409
Segment liabilities	638,209	100,291	738,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. SEGMENT INFORMATION *(continued)*

Reconciliations of segment revenue and profit or loss:

	2024 RMB'000	2023 RMB'000
Revenue		
Total revenue of reportable segments	1,650,775	1,064,443
Elimination of intersegment revenue	(2,012)	(388)
Consolidated revenue	1,648,763	1,064,055
Profit or loss		
Total profit or loss of reportable segments	463,897	275,506
Unallocated amounts:		
Administrative expenses	(73,787)	(43,710)
Interest income	9,033	2,745
Interest expenses	(54,409)	(29,407)
Others	(24,462)	8,151
Consolidated profit after tax	320,272	213,285

Reconciliations of segment assets and liabilities:

	2024 RMB'000	2023 RMB'000
Assets		
Total assets of reportable segments	5,967,476	4,797,409
Unallocated assets:		
Right-of-use assets	2,613	4,142
Property, plant and equipment	759	1,112
Escrow deposit	496,427	—
Bank and cash balances	585,322	350,791
Others	1,911	1,828
Consolidated total assets	7,054,508	5,155,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. SEGMENT INFORMATION *(continued)*

Reconciliations of segment assets and liabilities: *(continued)*

	2024 RMB'000	2023 RMB'000
Liabilities		
Total liabilities of reportable segments	1,611,805	738,500
Unallocated liabilities:		
Convertible bond	333,715	313,029
Derivative component of convertible bond	5,900	3,822
Borrowing	740,358	—
Others	9,605	14,786
Consolidated total liabilities	2,701,383	1,070,137

Geographical information:

The Group's revenue from external customers from location of operations is detailed below:

	2024 RMB'000	2023 RMB'000
The PRC	1,358,357	961,325
The Republic of Korea ("Korea")	111,841	38,341
The United States	25,088	9,771
Others	153,477	54,618
Consolidated total	1,648,763	1,064,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. SEGMENT INFORMATION *(continued)*

Geographical information: *(continued)*

The Group's information about its non-current assets, other than restricted deposits, defined benefit assets, net, deposits and other receivables, escrow deposit and deferred tax assets, by location of assets are detailed below:

	2024 RMB'000	2023 RMB'000
The PRC	1,902,746	928,298
Korea	316,665	365,789
Hong Kong	3,371	5,255
Others	—	47
Consolidated total	2,222,782	1,299,389

Revenue from major customers:

There was no customer that contributed over 10% of the Group's revenue during the year ended 31 December 2024 and 2023.

10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses of:		
– bank loans and other borrowings	44,599	16,723
– convertible bonds (note 37)	73,514	34,601
– lease liabilities (note 18)	323	108
	118,436	51,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax	70,038	36,312
– Korea Corporate Income Tax	8,978	2,074
	79,016	38,386
Under/(over)-provision in prior year		
– PRC Enterprise Income Tax	513	946
– Hong Kong Profits Tax	—	(1)
– Korea Corporate Income Tax	5,404	—
	5,917	945
	84,933	39,331
Deferred tax (note 36)	1,087	1,415
	86,020	40,746

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, Chesir Pearl and Luzhai Chesir Pearl Mica Material Co., Ltd. ("Chesir Luzhai"), subsidiaries of the Company, obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (2023: 15%) during the year, subject to annual review by the relevant authority. The other subsidiaries of the Company in the PRC are subject to the PRC Enterprise Income Tax ("EIT") at a rate of 25% (2023: 25%) for the year.

Korea Corporate Income Tax is calculated at 9% for assessable income below Korean Won ("KRW") 200 million, 19% for assessable income between KRW200 million and KRW20 billion, 21% for assessable income between KRW20 billion and KRW300 billion and 24% for assessable income above KRW300 billion for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. INCOME TAX EXPENSE *(continued)*

France Corporation Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in France for both years.

The subsidiary incorporated in the British Virgin Islands is not subject to income tax.

The Company is incorporated in the Cayman Islands and subject to Hong Kong Profits Tax. No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has no assessable profit for the year.

Those subsidiaries incorporated in Hong Kong and France have had no assessable profit subject to Hong Kong Profits Tax or France Corporation Tax during the year ended 31 December 2023 and 2024, respectively.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	406,292	254,031
Tax at the PRC Enterprise Income Tax rate of 25%	101,573	63,508
Tax effect of:		
– income that is not taxable	(4,948)	(5,668)
– expenses that are not deductible	35,796	19,599
– tax concession	(44,056)	(25,478)
– super-deduction of research and development costs	(23,856)	(17,188)
– unrecognised tax losses	2,255	712
– utilisation of tax losses not previously recognised	—	(2,491)
– temporary difference not recognised	(3,143)	1,329
– different tax rates of subsidiaries operating in other jurisdictions	16,482	3,067
PRC withholding tax	—	2,411
Under-provision in prior year	5,917	945
Income tax expense	86,020	40,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging and crediting the following:

	2024 RMB'000	2023 RMB'000
Auditor's remuneration		
– audit service	3,458	2,618
– non-audit service	680	1,792
Cost of inventories sold (note)	764,105	528,035
Allowance for inventories (included in cost of sales)	2,968	117
Costs in relation to acquisition of CQV (included in administrative expenses)	—	3,569
Amortisation of intangible assets	6,947	2,988
Depreciation on:		
– property, plant and equipment	76,783	58,848
– right-of-use assets	4,474	2,252
Research and development expenditures	89,540	75,018
Reversal of impairment losses on bills and other receivables, net	(6,607)	(618)
Property, plant and equipment written off	3	—

Note: The following costs are included in the cost of inventories sold disclosed separately above:

	2024 RMB'000	2023 RMB'000
Staff costs	101,000	57,061
Depreciation on property, plant and equipment	39,353	25,231
Operating lease charges	51	3

13. EMPLOYEE BENEFITS EXPENSE

	2024 RMB'000	2023 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	174,125	96,123
Retirement benefit – defined contribution plans	23,254	17,298
Retirement benefit – defined benefit plans (note 38(a))	4,695	1,453
	202,074	114,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

(a) Pensions defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2024 and 2023 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2023: three) directors of the Company whose emoluments are reflected in the analysis presented in note 14.

The emoluments of the remaining four (including the emoluments of an executive director prior his appointment) (2023: two) individuals are set out below:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	6,191	2,541
Discretionary bonuses	55	547
Retirement benefit scheme contributions	114	59
	6,360	3,147

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	1	1
	4	2

During the year, there was no arrangement under which a director of the Company waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
For the year ended 31 December 2024									
Executive directors:									
Mr. SU Ertian (苏尔田先生) (Chief executive)	—	3,110	—	—	65	—	—	—	3,175
Mr. JIN Zengqin (金增勤先生)	—	409	135	—	83	—	—	—	627
Mr. ZHOU Fangchao (周方超先生)	—	645	—	—	50	—	—	—	695
Ms. ZENG Zhu (曾殊女士) (note i)	—	151	49	—	53	—	—	—	253
Mr. BAI Zhihuan (白植煥先生)	—	260	—	—	16	—	—	—	276
Mr. LIM Kwang Su (林光水先生) (note i)	—	749	—	—	5	—	—	—	754
Non-executive directors:									
Mr. HU Yongxiang (胡永祥先生)	—	—	—	—	—	—	—	—	—
Independent Non-executive directors:									
Professor CHEN Fadong (陈发东教授) (note i)	41	—	—	—	—	—	—	—	41
Mr. HUI Chi Fung (許之豐先生)	164	—	—	—	—	—	—	—	164
Professor HAN Gaorong (韩高荣教授)	164	—	—	—	—	—	—	—	164
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	164	—	—	—	—	—	—	—	164
	533	5,324	184	—	272	—	—	—	6,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000				
For the year ended 31 December 2023										
Executive directors:										
Mr. SU Ertian (苏尔田先生) (Chief executive)	—	788	450	—	82	—	—	—	1,320	
Mr. JIN Zengqin (金增勤先生)	—	409	135	—	80	—	—	—	624	
Mr. ZHOU Fangchao (周方超先生)	—	612	317	—	67	—	—	—	996	
Ms. ZENG Zhu (曾殊女士)	—	151	49	—	53	—	—	—	253	
Mr. BAI Zhihuan (白植煥先生)	—	432	170	—	59	—	—	—	661	
Non-executive directors:										
Mr. HU Yongxiang (胡永祥先生)	—	—	—	—	—	—	—	—	—	
Independent Non-executive directors:										
Mr. HUI Chi Fung (許之豐先生)	162	—	—	—	—	—	—	—	162	
Professor HAN Gaorong (韩高荣教授)	162	—	—	—	—	—	—	—	162	
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	162	—	—	—	—	—	—	—	162	
	486	2,392	1,121	—	341	—	—	—	4,340	

Neither the chief executive nor any of the directors waived any emoluments during the year (2023: Nil).

Note:

(i) Appointed on 26 September 2024

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. DIVIDENDS

The board of directors has decided not to declare and pay any final dividend for the year ended 31 December 2024 (2023: Nil).

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2024 RMB'000	2023 RMB'000
Earnings		
Profit for the purpose of calculating basic earnings per share	242,176	181,578
Adjustments to the share of profit of a subsidiary based on dilution of their earnings per share	(2,259)	—
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	239,917	181,578
	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,238,870	1,208,799

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 in respect of a dilution as the impact of the conversion of convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
At 1 January 2023	411,026	146,864	3,046	14,447	304,034	60,420	939,837
Additions	—	329	—	742	159,282	1,364	161,717
Acquisition of a subsidiary	137,714	75,977	439	19,723	9,212	—	243,065
Transfer	—	2,905	—	1,725	(4,630)	—	—
Exchange differences	(77)	(44)	—	(12)	(3)	—	(136)
At 31 December 2023 and 1 January 2024	548,663	226,031	3,485	36,625	467,895	61,784	1,344,483
Reclassification	—	1,841	—	(1,841)	—	—	—
Additions	—	1,970	1,161	891	437,795	—	441,817
Transfers	241,497	38,566	—	310	(280,373)	—	—
Disposals	—	—	—	(28)	—	—	(28)
Written off	—	(1)	—	(2)	—	—	(3)
Exchange differences	(13,231)	(7,700)	(89)	(2,131)	(1,033)	—	(24,184)
At 31 December 2024	776,929	260,707	4,557	33,824	624,284	61,784	1,762,085
Accumulated depreciation							
At 1 January 2023	94,281	54,020	2,127	9,464	—	20,581	180,473
Charges for the year	22,015	18,284	254	1,832	—	16,463	58,848
Exchange differences	(1)	(2)	—	(1)	—	—	(4)
At 31 December 2023 and 1 January 2024	116,295	72,302	2,381	11,295	—	37,044	239,317
Charges for the year	29,669	27,908	351	3,579	—	15,276	76,783
Disposals	—	—	—	(28)	—	—	(28)
Exchange differences	(471)	(1,157)	(11)	(225)	—	—	(1,864)
At 31 December 2024	145,493	99,053	2,721	14,621	—	52,320	314,208
Carrying amount							
At 31 December 2024	631,436	161,654	1,836	19,203	624,284	9,464	1,447,877
At 31 December 2023	432,368	153,729	1,104	25,330	467,895	24,740	1,105,166

At 31 December 2024, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans and other borrowings amounted to approximately RMB449,036,000 (2023: RMB226,415,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. RIGHT-OF-USE ASSETS

	Leased vehicles RMB'000	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2023	—	63,014	242	63,256
Additions	—	—	4,740	4,740
Acquisition of a subsidiary	477	—	42	519
Depreciation	(165)	(1,402)	(685)	(2,252)
Exchange differences	(1)	—	3	2
At 31 December 2023 and 1 January 2024	311	61,612	4,342	66,265
Additions	1,340	76,034	5,403	82,777
Depreciation	(339)	(2,035)	(2,100)	(4,474)
Termination of lease contracts	(66)	—	(80)	(146)
Exchange differences	(82)	—	(16)	(98)
At 31 December 2024	1,164	135,611	7,549	144,324

Right-of-use assets comprised the leasehold lands in the PRC, leased properties in PRC, Hong Kong, Korea and France and leased vehicles in Korea.

As at 31 December 2023, the carrying amount of right-of-use assets pledged as security for the Group's bank loans amounted to RMB15,623,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. RIGHT-OF-USE ASSETS *(continued)*

Lease liabilities of approximately RMB8,945,000 (2023: RMB4,909,000) are recognised with related right-of-use assets of approximately RMB8,713,000 (2023: RMB4,653,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2024 RMB'000	2023 RMB'000
Depreciation on right-of-use assets	4,474	2,252
Interest expense on lease liabilities (included in finance costs)	323	108
Expenses relating to short-term lease (included in selling expenses)	4,083	3,314
Expenses relating to leases of low value assets (included in cost of sales)	51	17
Expenses relating to leases of low value assets (included in selling expenses)	2	6
Expenses relating to leases of low value assets (included in administrative expenses)	44	10

Details of total cash outflow for leases is set out in note 42(e).

For both years, the Group leases various vehicles, offices, warehouses and staff quarter for its operations. Lease contracts are entered into for fixed term of 12 to 48 months (2023: 12 to 108 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. INTANGIBLE ASSETS

	Trademark RMB'000	Customer relationship RMB'000	Software RMB'000	Industrial property rights RMB'000	Development costs RMB'000	Total RMB'000
Cost						
At 1 January 2023	—	—	—	—	—	—
Acquisition of a subsidiary	7,029	489	29	2,163	17,092	26,802
Exchange differences	(4)	—	—	(1)	(9)	(14)
At 31 December 2023 and 1 January 2024	7,025	489	29	2,162	17,083	26,788
Additions	7	—	—	62	—	69
Exchange differences	(676)	(47)	(3)	(211)	(1,642)	(2,579)
At 31 December 2024	6,356	442	26	2,013	15,441	24,278
Accumulated amortisation						
At 1 January 2023	—	—	—	—	—	—
Amortisation for the year	233	11	9	232	2,503	2,988
Exchange differences	1	—	—	1	11	13
At 31 December 2023 and 1 January 2024	234	11	9	233	2,514	3,001
Amortisation for the year	677	31	16	640	5,583	6,947
Exchange differences	(59)	(3)	(2)	(58)	(551)	(673)
At 31 December 2024	852	39	23	815	7,546	9,275
Carrying amount						
At 31 December 2024	5,504	403	3	1,198	7,895	15,003
At 31 December 2023	6,791	478	20	1,929	14,569	23,787

The remaining amortisation period of the intangible assets are as follows:

	2024	2023
Trademark	8.6 years	9.6 years
Customer relationship	13.6 years	14.6 years
Software	2 years	0.2 to 3 years
Industrial property rights	0.1 to 6.7 years	0.1 to 4.1 years
Development cost	0.2 to 3.1 years	0.2 to 4.1 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. PREPAYMENTS FOR CONSTRUCTION IN PROGRESS

As of 31 December 2024, the Group has made prepayments of RMB401,418,000 (2023: Nil) for construction in progress, primarily relating to advance contractor fees and material deposits for the construction of a new production facility in Tonglu, Hangzhou. These amounts are capitalised as part of construction in progress once construction work certified and are assessed for recoverability periodically.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2024, the Group has paid deposits totalling RMB70,000,000 (2023: Nil) for the purchase of production equipment to be installed in the new production facility in Tonglu, Hangzhou. These amounts are capitalised as part of property, plant, and equipment upon delivery and commissioning.

22. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost		
At 1 January	104,171	—
Arising from acquisition of a subsidiary (note 42(a))	—	104,229
Exchange differences	(10,011)	(58)
At 31 December	94,160	104,171
Carrying amount		
At 31 December	94,160	104,171

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Korea Business Operation.

In addition to goodwill, property, plant and equipment, right-of-use assets and other intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. GOODWILL *(continued)*

The recoverable amounts of the CGU have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate of 14.8% (2023: 15.7%) per annum calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

- (a) Forecast sales growth rates – based on past experience adjusted for the expected growth in the pearlescent pigment market.
- (b) Operating expenses levels – based on historical experience of operating expenses, adjusted for the impact of economics of scale.
- (c) Cash flows beyond five-year period have been extrapolated using a steady 2% (2023: 2%) per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

The recoverable amount calculated based on value in use exceeded carrying value by approximately RMB13,025,000 (2023: RMB35,547,000). The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the above CGU to which goodwill is allocated. A 10% (2023: 10%) underperformance against forecast sales growth rates would reduce the headroom to nil but would not result in an impairment charge.

23. RESTRICTED DEPOSITS

As at 31 December 2024, the restricted deposits pledged as security for the Group's other borrowings amounted to approximately RMB2,050,000 (2023: RMB2,425,000) of which approximately nil and RMB2,050,000 (2023: RMB375,000 and RMB2,050,000) were classified as current assets and non-current assets respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. INVESTMENTS IN SUBSIDIARIES

The amounts due from subsidiaries are unsecured, bear interest at 2% to 5% (2023: 2% to 5%) per annum and repayable on demand.

Particulars of the principal subsidiaries as at 31 December 2024 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ principal country of operation	Authorised capital	Issued/ paid up capital	Attributable effective equity interest of the Group	Principal activities
Generous Fortune Limited (盛富有限公司)	British Virgin Islands	HK\$80,000,000,000	HK\$12,590,725.2	100% (Direct)	Investment holding
Global New Material (China) Limited (環球新材(中國)有限公司)	Hong Kong	N/A	HK\$30,000	100% (Indirect)	Investment holding
廣西七色珠光材料股份有限公司 (Chesir Pearl) (note (a))	The PRC	RMB149,561,191	RMB149,561,191	97.19% (Indirect)	Manufacturing and sales of pearlescent pigment and functional mica filler
上海萬紫千紅珠光效應材料有限公司 (Shanghai Multicolor) (note (b))	The PRC	RMB10,000,000	RMB10,000,000	97.19% (Indirect)	Trading of pearlescent pigment and functional mica filler
鹿寨七色珠光雲母材料有限公司 (Chesir Luzhai) (note (b))	The PRC	RMB104,927,076	RMB104,927,076	52.23% (Indirect)	Manufacturing and sales of functional mica filler and related products
Chesir International Holdings Limited	British Virgin Islands	US\$50,000	US\$1	100% (Direct)	Investment holding
浙江鴻尊科技有限公司 (Zhejiang Hongzun Technology Co., Ltd.)	The PRC	US\$128,000,000	US\$128,000,000	100% (Indirect)	Under construction
Star Cheer Corporation Limited	Hong Kong	N/A	HK\$1	100% (Indirect)	Investment holding
CQV (note (c))	Korea	KRW10,000,000,000	KRW5,069,092,000	42.45% (11.60% Direct; 30.85% Indirect)	Manufacturing and sales of pearlescent pigment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Note:

- (a) The subsidiary is a joint stock company established under the laws of the PRC with limited liability.
- (b) These subsidiaries are established under the laws of the PRC with limited liability.
- (c) The directors of the Company considered the Group's absolute size of holding in CQV and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of CQV and therefore the Group has control over CQV.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The following table shows information on Chesir Pearl and its subsidiaries ("Chesir Pearl Group") and CQV that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Chesir Pearl Group*		CQV	
	2024	2023	2024	2023
Principal place of business/ country of incorporation	The PRC		Korea	
% of ownership interests/ voting rights held by NCI	2.81%/ 2.81%		57.55%/ 57.55%	
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December:				
Non-current assets	1,230,485	931,585	326,116	383,098
Current assets	4,126,661	3,234,487	231,841	234,280
Non-current liabilities	(389,643)	(42,610)	(21,352)	(57,505)
Current liabilities	(1,525,390)	(1,164,482)	(134,441)	(42,786)
Net assets	3,442,113	2,958,980	402,164	517,087
Accumulated NCI	789,968	738,608	186,734	190,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Chesir Pearl Group*		CQV	
	Year ended 31 December		Year ended	Period from
	2024	2023	31 December	2 August to
	RMB'000	RMB'000	2024	31 December
			RMB'000	2023
				RMB'000
Revenue	1,334,418	961,337	316,593	103,106
Profit	483,141	248,451	38,362	8,946
Total comprehensive income	483,135	248,527	8,664	5,492
Profit allocated to NCI	51,360	26,558	26,736	5,149
Net cash generated from operating activities	538,298	110,048	72,397	8,461
Net cash used in investing activities	(372,849)	(111,008)	64,553	(1,175)
Net cash (used in)/generated from financing activities	(154,537)	1,216,000	(21,592)	(34,692)
Net increase/(decrease) in cash and cash equivalents	10,912	1,215,040	115,358	(27,406)

* Chesir Pearl Group includes Chesir Luzhai, in which the Group held an effective equity interest of 52.23% (2023: 52.23%) as of 31 December 2024.

As at 31 December 2024, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB2,848,923,000 (2023: RMB2,804,221,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. ESCROW DEPOSIT

On 25 July 2024, the Company entered into an agreement with an independent third party to purchase a worldwide global surface solutions business at an aggregate consideration of EUR665,000,000 (equivalent to approximately RMB5,187,000,000) which will be settled by cash.

On the same date, the sum of deposit of EUR65,000,000 (equivalent to approximately RMB496,427,000) was paid to the escrow agent as escrow deposit upon execution of agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. BANK, CASH BALANCES AND TIME DEPOSITS

	2024 RMB'000	2023 RMB'000
Long term time deposit with maturity over one year (note (a))	50,000	—
Restricted time deposits with maturity over three months but less than one year (note (b))	30,000	—
Cash and cash equivalents	3,411,401	3,203,476
	3,491,401	3,203,476

Note:

- (a) This time deposit was made for 36 months at interest rates of 2.90% per annum and denominated in RMB.
- (b) These time deposits were made for twelve months at interest rates from 1.30% to 1.85% per annum are pledged to the bank for securing the issuing of the letter of credit and denominated in RMB.

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

	2024 RMB'000	2023 RMB'000
RMB	2,774,063	3,130,621
US\$	11,590	46,288
EUR	579,339	178
HK\$	892	490
KRW	40,164	18,444
JPY	5,343	7,445
Great British pounds	10	10
	3,411,401	3,203,476

As at 31 December 2024, the bank and cash balances and time deposits of the Group denominated in RMB amounted to approximately RMB2,854,063,000 (2023: RMB3,130,621,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	26,651	30,263
Work in progress	120,957	99,824
Finished goods	162,656	107,232
	310,264	237,319

28. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	513,019	372,686
Bill receivables	4,036	4,727
	517,055	377,413
Less: Allowance for doubtful debts	(4,582)	(12,100)
	512,473	365,313

The Group generally allows a credit period from 30 to 180 days for its customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

The ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier), and net of allowance, is as follows:

	2024 RMB'000	2023 RMB'000
0 to 90 days	446,931	309,651
91 to 180 days	65,376	55,222
181 to 365 days	166	440
	512,473	365,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. TRADE AND BILLS RECEIVABLES *(continued)*

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	444,013	294,854
US\$	54,498	49,589
KRW	13,962	20,172
JPY	—	698
	512,473	365,313

29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Deposits	1,000	2,263
Prepayments	39,036	25,470
Value-added tax recoverable	17,835	11
Other receivables	1,100	1,467
	58,971	29,221
Analysed as:		
Current assets	57,420	27,803
Non-current assets	1,551	1,418
	58,971	29,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. SHARE CAPITAL

	Number of shares issued	Authorised HK\$'000	Issued and fully paid RMB'000
Share capital of the Company in ordinary shares of HK\$0.1 each			
At 1 January 2023	1,191,763,586	8,000,000	99,319
Share issue for acquisition of a subsidiary (note)	47,106,546	—	4,382
At 31 December 2023, 1 January 2024 and 31 December 2024	1,238,870,132	8,000,000	103,701

Note: On 22 August 2023, 47,106,546 ordinary shares of the Company of par value of HK\$0.1 each were issued at a price of HK\$4.24 in connection with acquisition of a subsidiary with a consideration of approximately KRW34,032,293,000 (equivalent to approximately RMB187,310,000) settled by shares of the Company of which KRW796,203,000 (equivalent to approximately RMB4,382,000) were credited to the Company's share capital and the remaining proceeds of approximately KRW33,236,090,000 (equivalent to approximately RMB182,928,000) were credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank loans and other borrowings, convertible bonds and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and other reserves etc.) except for non-controlling interests.

During 2024, the Group's strategy, which was unchanged from 2023, was to maintain the debt-to-adjusted capital ratio at a level of industry average.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. SHARE CAPITAL *(continued)*

The debt-to-adjusted capital ratios as at 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Total debt	2,421,246	908,041
Less: cash and cash equivalents	(3,411,401)	(3,203,476)
Net cash	(990,155)	(2,295,435)
Total equity	3,376,497	3,156,490
Debt-to-adjusted capital ratio	N/A	N/A

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

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

Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There were no breaches of financial covenants of any interest-bearing borrowings for the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		759	1,112
Right-of-use assets		2,613	4,142
Investments in subsidiaries		782,029	385,178
Escrow deposit	25	496,427	—
Total non-current assets		1,281,828	390,432
Current assets			
Prepayments and other receivables		1,255	768
Derivative component of convertible bond		733	—
Amounts due from subsidiaries		1,122,052	1,165,662
Tax recoverable		317	1,058
Bank and cash balances		580,186	322,985
Total current assets		1,704,543	1,490,473
TOTAL ASSETS		2,986,371	1,880,905
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	30	103,701	103,701
Reserves	32(b)	939,109	1,097,986
Total equity		1,042,810	1,201,687
Non-current liabilities			
Other borrowing		740,358	—
Convertible bond		333,715	313,029
Lease liabilities		1,216	2,850
Total non-current liabilities		1,075,289	315,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(continued)

(a) Statement of financial position of the Company (continued)

	2024 RMB'000	2023 RMB'000
Current liabilities		
Other borrowings	41,963	78,061
Convertible bond	284,489	263,113
Derivative component of convertible bonds	5,900	5,706
Lease liabilities	1,635	1,536
Amounts due to subsidiaries	527,420	—
Accruals and other payables	6,865	14,923
Total current liabilities	868,272	363,339
TOTAL EQUITY AND LIABILITIES	2,986,371	1,880,905

Approved by the Board of Directors on 31 March 2025 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

(b) Reserve movement of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	703,444	284,381	(12,501)	975,324
Total comprehensive income for the year	—	—	(60,266)	(60,266)
Shares issued for acquisition of a subsidiary	182,928	—	—	182,928
At 31 December 2023 and 1 January 2024	886,372	284,381	(72,767)	1,097,986
Total comprehensive income for the year	—	—	(158,877)	(158,877)
At 31 December 2024	886,372	284,381	(231,644)	939,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the differences between the proceed from issue of shares and the nominal amount of the shares issued by the Company.

(ii) Merger reserve

Merger reserve arose as a result of the group reorganisation upon incorporation of the Company on 8 June 2018. The share capital of Chesir Pearl was transferred to merger reserve and share capital reflected that of the Company.

(iii) Other reserve

Other reserve arose as a result of excess of capital contribution over the share capital of the subsidiaries and the gain/(loss) on disposal of interest in a subsidiary without loss of control.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(v) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after tax of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(vi) Special reserve

Special reserve represents the difference between the consideration and the share capital of a subsidiary acquired under common control pursuant to the group reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. BANK LOANS AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans:		
– Secured	490,369	174,947
– Secured – supplier finance arrangement (note (g))	68,000	—
– Unsecured	363,856	11,001
Other borrowings:		
– Secured	762,848	61,072
– Unsecured	43,939	79,970
	1,729,012	326,990

(a) The bank loans and other borrowings are repayable as follows:

	2024 RMB'000	2023 RMB'000
Within one year	570,312	177,314
More than one year, but not exceeding two years	206,512	91,314
More than two year, but not exceeding five years	920,288	3,300
	1,697,112	271,928
Portion of other borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	31,900	55,062
	1,729,012	326,990
Less: Amount due for settlement within 12 months (shown under current liabilities)	(602,212)	(232,376)
Amount due for settlement after 12 months	1,126,800	94,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. BANK LOANS AND OTHER BORROWINGS *(continued)*

- (b) The carrying amounts of the Group's bank loans and other borrowings are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	914,882	192,012
HK\$	35,773	71,011
EUR	740,358	—
US\$	8,166	8,959
KRW	29,833	55,008
	1,729,012	326,990

- (c) The average interest rates as at 31 December 2024 and 2023 were as follows:

	2024	2023
Bank loans:		
– Secured	3.69% per annum	6.10% per annum
– Secured – supplier finance arrangement	2.4% per annum	—
– Unsecured	3.43% per annum	4.33% per annum
Other borrowings:		
– Secured	8.94% per annum	5.01% per annum
– Unsecured	2.82% per annum	3.73% per annum

Bank loans and other borrowings of approximately RMB1,161,777,000 (2023: RMB326,990,000) as at 31 December 2024 are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. BANK LOANS AND OTHER BORROWINGS *(continued)*

(d) The fair value of the Group's borrowings is as follows:

The fair value of other borrowings was approximate to their carrying amounts due to their short-term nature or carrying interest at variable rate.

(e) The details of pledged assets and collaterals to the Group's borrowings are as follows:

The Group's secured bank loans of approximately RMB490,369,000 (2023: RMB174,947,000) are secured by the Group's restricted deposits (note 23), property, plant and equipment (note 17) in PRC and Korea (2023: and right-of-use assets (note 18) in PRC), and also secured by land and buildings owned by a substantial shareholder (who also is an executive director of the Company) of the Company and the close family members of this substantial shareholder of the Company, the corporate guarantees from a corporate substantial shareholder of the Company, together with personal guarantees of this substantial shareholder and an executive director of the Company and the close family members of this substantial shareholder of the Company.

The Group's secured other borrowings of approximately RMB762,848,000 (2023: RMB61,072,000) are secured by the Group's property, plant and equipment (note 17) in the PRC, restricted deposits (note 23) in the PRC and share mortgage of the subsidiaries of the Company.

(f) The details of loan covenants of the Group's borrowing are as follows:

Certain of the Group's bank loans and other borrowings facilities are subject to the fulfillment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related borrowings would become payable on demand.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2024 (2023: Same).

(g) Bank loans arising from supplier finance arrangements:

The Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain contractors and suppliers. Under these arrangements, the banks pay contractors and suppliers the amounts owed by the Group on the original due dates, which are normally 30 to 60 days after the invoice date for the comparable payables that are not part of the supplier finance arrangement within the same business line. The Group then settles with the banks 365 days after the original due dates with suppliers, with interest.

In the consolidated financial statement of financial position, the Group has presented the payables to the banks under these arrangements as "borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables. As at 31 December 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB68,000,000.

In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Within one year	4,169	2,104	3,842	1,863
More than one year, but not exceeding two years	3,392	1,943	3,201	1,805
More than two years, but not more than five years	1,946	1,271	1,902	1,241
	9,507	5,318	8,945	4,909
Less: Future finance charges	(562)	(409)	N/A	N/A
Present value of lease obligations	8,945	4,909	8,945	4,909
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,842)	(1,863)
Amount due for settlement after 12 months			5,103	3,046

The incremental borrowing rates applied to lease liabilities range from 2.04% to 6.92% (2023: from 2.04% to 9.13%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	4,799	—
HK\$	2,850	4,386
KRW	1,296	453
EUR	—	70
	8,945	4,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. DEFERRED REVENUE

The deferred revenue arises in respect of the Group's government grants.

	2024 RMB'000	2023 RMB'000
Analysed as:		
Current liabilities	8,770	4,614
Non-current liabilities	7,487	6,319
	16,257	10,933

The deferred revenue arises as a result of the benefits received from government grants received during the year ended 31 December 2014, 2015, 2016, 2018 and 2020 to 2024.

36. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group:

Deferred tax liabilities

	Accelerated tax depreciation RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2023	—	4,703	4,703
Acquisition of a subsidiary (note 42(a))	14,664	—	14,664
(Credit)/charge to profit or loss for the year	(500)	2,411	1,911
Amount paid during the year	—	(3,287)	(3,287)
Exchange differences	(10)	—	(10)
At 31 December 2023 and 1 January 2024	14,154	3,827	17,981
Credit to profit or loss for the year	(1,442)	—	(1,442)
Amount paid during the year	—	(3,827)	(3,827)
Exchange differences	(1,281)	—	(1,281)
At 31 December 2024	11,431	—	11,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

36. DEFERRED TAX *(continued)*

Deferred tax assets

	Retirement benefit obligations RMB'000	Deferred revenue RMB'000	Allowance for inventories RMB'000	Others RMB'000	Decelerated tax depreciation RMB'000	Doubtful debts RMB'000	Total RMB'000
At 1 January 2023	—					1,190	1,190
Acquisition of a subsidiary (note 42(a))	(1,142)	1,550	8,490	700	311	244	10,153
Credit/(charge) to profit or loss for the year	966	(524)	(194)	281	(8)	(25)	496
Exchange differences	6	(2)	(7)	—	(1)	—	(4)
At 31 December 2023 and 1 January 2024	(170)	1,024	8,289	981	302	1,409	11,835
(Charge)/credit to profit or loss for the year	3	(369)	647	(2,874)	(25)	89	(2,529)
Exchange differences	16	(78)	(833)	10	(28)	(26)	(939)
At 31 December 2024	(151)	577	8,103	(1,883)	249	1,472	(8,367)

At the end of the reporting period the Group has unused tax losses of approximately RMB6,860,000 (2023: RMB7,675,000) available for offset against future profits. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB Nil (2023: RMB744,000), RMB706,000 (2023: RMB706,000), RMB1,063,000 (2023: RMB1,063,000), and RMB 2,244,000 (2023: RMB2,314,000) and RMB2,847,000 (2023: RMB2,847,000) that will expire in 2025, 2026, 2027 and 2028 (2023: expire in 2024, 2025, 2026, 2027 and 2028) respectively. Other tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS

	2024 RMB'000	2023 RMB'000
Liabilities component:		
2022 Convertible bond	333,715	313,029
2023 Convertible bond	284,489	263,113
CQV Convertible bonds	65,085	—
	683,289	576,142
Derivative component:		
2022 Convertible bond	5,900	3,822
2023 Convertible bond	(733)	1,884
CQV Convertible bonds	7,180	—
	12,347	5,706

2022 Convertible bond

On 28 December 2022, the Company entered into a subscription agreement with an independent third party in relation to the issue of 3.5% coupon convertible bonds in the aggregate principal amount up to RMB500.0 million in two tranches. The unlisted, guaranteed and unsecured convertible bond in the principal amount of RMB300.0 million ("Tranche A Convertible Bond") was issued by the Company on 30 December 2022. The interest will be paid in arrears annually until the settlement date.

Tranche A Convertible Bond is convertible at the option of the holder into fully paid ordinary shares with HK\$0.1 each of the Company on or after the later of (i) the first day of the fortieth month from the date of issue; and (ii) the date on which the listing of, and permission to deal in, the conversion shares falling to be issued upon exercise of the conversion rights attached to Tranche A Convertible Bond having been granted by the Listing Committee of the Stock Exchange up to and including ending on the date immediately before the maturity date (i.e. 30 December 2026) at an initial conversion price of HK\$7.6 per share.

If Tranche A Convertible Bond is not converted during the conversion period, the Company shall redeem Tranche A Convertible Bond by repaying to the holder of the Tranche A Convertible Bond on the maturity date (the "Maturity Date") the aggregate of (i) the outstanding principal amount of RMB300,000,000; (ii) the interest accrued but unpaid up to and including the Maturity Date; and (iii) the additional amount which could make up an internal rate of return ("IRR") of 9% per annum on the aggregate principal amount of Tranche A Convertible Bond if the sum of the amounts referred in (i) and (ii) above, plus any amount already paid by the Company on such outstanding principal amount of Tranche A Convertible Bond, falls short of making up the IRR of 9% per annum on the relevant aggregate principal amount calculated from the issue date up to the Maturity Date.

Tranche A Convertible Bond is guaranteed by a substantial shareholder of the Company and a subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond *(continued)*

The net proceeds received from the issue of Tranche A Convertible Bond have been split between the liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At 1 January 2023	294,217	5,783
Interest charged for the year	29,312	—
Interest paid	(10,500)	—
Fair value gain for the year	—	(1,961)
At 31 December 2023 and 1 January 2024	313,029	3,822
Interest charged for the year	31,186	—
Interest paid	(10,500)	—
Fair value loss for the year	—	2,078
At 31 December 2024	333,715	5,900

The interest charged for the year is calculated by applying an effective interest rate of 9.96% per annum to the liability component.

The directors estimate the fair value of the liability component of Tranche A Convertible Bond as at 31 December 2024 to be approximately RMB342,480,000 (2023: RMB333,201,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2024	At 31 December 2023
Weighted average share price	HK\$4.35	HK\$3.95
Weighted average exercise price	HK\$7.60	HK\$7.60
Expected volatility	36.69%	38.13%
Expected life	2 years	3 years
Risk free rate	1.10%	3.07%
Expected dividend yield	0.00%	0.35%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond *(continued)*

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in Tranche A Convertible Bond	Binomial option pricing model	Expected volatility	36.69% (2023: 38.13%)	Increase

The fair value of derivative component embedded in Tranche A Convertible Bond is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility.

As at 31 December 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's profit by approximately RMB2,067,000 (2023: RMB1,871,000) or RMB2,599,000 (2023: RMB1,982,000) respectively.

2023 Convertible bond

On 5 November 2023, the Company entered into agreement with an independent third party in relation to issue 9% coupon convertible bonds in the aggregate principal amount up to US\$80,000,000 in two tranches. The unlisted, and unsecured convertible bonds with a nominal value of US\$40,000,000 ("First Tranche Initial Bond") was issued by the Company on 8 November 2023.

First Tranche Initial Bond is convertible at the option of the holder thereof, at any time from the later of (a) the date on or after the relevant issue date of such bonds and (b) the date on which the listing of, and permission to deal in, the shares falling to be issued upon exercise of the conversion rights attached to the applicable convertible bonds having been granted by the Listing Committee of the Stock Exchange, to the close of business on the date falling seven days prior to the maturity date or, if such bond shall have been called for redemption by the Company before the maturity date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof at an initial conversion price of HK\$7.6 per share.

On giving not less than 30 nor more than 60 days' notice by the Company to the bondholders, First Tranche Initial Bond may be redeemed by the Company in whole or in part, on the date specified in the option redemption notice at their optional redemption amount together with interest accrued but unpaid on such date (if any) at any time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

2023 Convertible bond *(continued)*

The net proceeds received from the issue of First Tranche Initial Bond have been split between the liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At date of issuance	281,225	2,847
Transaction cost	(22,726)	—
Interest charged for the year	5,289	—
Fair value gain for the year	—	(952)
Exchange differences	(675)	(11)
At 31 December 2023 and 1 January 2024	263,113	1,884
Interest charged for the year	38,169	—
Interest paid	(26,032)	—
Fair value gain for the year	—	(2,639)
Exchange differences	9,239	22
At 31 December 2024	284,489	(733)

The interest charged for the year is calculated by applying an effective interest rate of 14.85% per annum to the liability component.

The directors estimate the fair value of the liability component of First Tranche Initial Bond as at 31 December 2024 to be approximately RMB297,809,000 (2023: RMB263,675,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

2023 Convertible bond *(continued)*

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2024	At 31 December 2023	At date of issue
Weighted average share price	HK\$4.35	HK\$3.95	HK\$3.82
Weighted average exercise price	HK\$7.60	HK\$7.60	HK\$7.6
Expected volatility	40.48%	37.26%	36.69%
Expected life	0.9 years	1.9 years	2 years
Risk free rate	4.18%	4.43%	4.98%
Expected dividend yield	0.00%	0.35%	0.35%

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in First Tranche Initial Bond	Binomial option pricing model	Expected volatility	40.48% (2023: 37.26%)	Increase

The fair value of derivative component embedded in First Tranche Initial Bond is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility.

As at 31 December 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's profit by approximately RMB Nil and RMB Nil (2023: RMB800,000 or RMB290,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds

On 26 June 2024, CQV, a subsidiary of the Company, entered into an underwriting agreement (the "Underwriting Agreement") and a supplementary agreement (the "Supplementary Agreement") with independent third parties in relation to the issue of unlisted and unsecured 2% coupon convertible bonds in an aggregate principal amount of KRW15,000,000,000 ("CQV Convertible Bonds") which was issued on 28 June 2024 with maturity date of 28 June 2027. The interest will be paid in arrears every three months until the maturity date.

CQV Convertible Bonds are convertible at the option of the holder into common stock of CQV on or after one year from the issue date of CQV Convertible Bonds and to the first business day within the month preceding the maturity date at an initial conversion price of KRW5,760 per share. The conversion price may be adjusted every seven months from the issue date based on the stock price of CQV common stock prevailing in the preceding month.

CQV Convertible Bonds may be redeemed at the option of the holders one year from the issue date of CQV Convertible Bonds and every three months thereafter in the relevant outstanding principal amount multiplied by the early redemption rate stipulated in the Underwriting Agreement.

CQV shall reserve a right to purchase up to 40% of the principal amount of CQV Convertible Bonds during the exercise period stated in the Supplementary Agreement, in which case the purchase price shall ensure yield to call at an annual compound interest rate of 7% (calculated quarterly).

If CQV Convertible Bonds are not converted during the conversion period or redeemed during the option period, CQV shall redeem CQV Convertible Bonds by repaying to the holder of CQV Convertible Bonds on the maturity date at 113.04% of the outstanding principal amount.

The net proceeds received from the issue of CQV Convertible Bonds have been split between liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At the date of issuance	69,425	10,864
Transaction cost	(2,787)	—
Interest charged for the year	4,159	—
Interest paid	(790)	—
Fair value gain for the year	—	(3,082)
Exchange differences	(4,922)	(602)
At 31 December 2024	65,085	7,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds *(continued)*

The interest charged for the year is calculated by applying an effective interest rate of 13.20% per annum to the liability component.

The directors estimate the fair value of the liability component of the CQV Convertible Bonds as at 31 December 2024 to be approximately RMB72,476,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2024	At the date of issue
Weighted average share price	KRW3,840	KRW4,770
Weighted average exercise price	KRW5,760	KRW5,760
Expected volatility	48.02%	31.80%
Expected life	2.5 years	3 years
Risk free rate	2.73%	3.17%
Expected dividend yield	0.00%	0.00%

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in CQV Convertible Bonds	Binomial option pricing model	Expected volatility	48.02%	Increase

The fair value of derivative component embedded in CQV Convertible Bonds is determined using binomial option pricing model and the significant unobservable inputs in the fair value measurement are expected volatility.

As at 31 December 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's profit by approximately RMB1,170,000 or RMB794,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined benefit plan

The Group makes contributions to defined benefit retirement plans registered under the Employee Retirement Benefit Security Act ("ERBSA"), which cover of the employees under CQV. The plans are administered by trustees, the majority of which are independent, with their assets held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting investment policies of the plans.

Under the plans, a retired employee is entitled to pension payment equal to the final average salary (averaged over three months) for each year of service that the employee provided.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were as at 31 December 2024 and were prepared by qualified staff of GIA Consulting for Insurance Actuary Services Co. Ltd., using the projected unit credit method.

The plans expose the Group to actuarial risks, such as interest rate risk. Since the retirement plan has similar risks and features, information about the plan is aggregated and disclosed below.

The amount of retirement benefit obligations recognised in the consolidated statement of financial position is as follows:

	2024 RMB'000	2023 RMB'000
Present value of defined benefit obligation	50,549	51,150
Fair value of plan assets	(51,272)	(56,396)
	(723)	(5,246)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

	Present value of defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
At 1 January 2023	—	—	—
Acquisition of a subsidiary	45,004	(54,065)	(9,061)
Amounts recognised in profit or loss:			
Current service cost	1,728	142	1,870
Interest expense/(income)	543	(960)	(417)
Remeasurements recognised in other comprehensive income:			
Return on plan assets (excluding interest)	3,146	55	3,201
Actuarial losses arising from changes in financial assumptions	1,724	—	1,724
Contributions to the plan:			
Employer	—	(1,971)	(1,971)
Payments from the plan	(1,000)	383	(617)
Exchange differences	5	20	25
At 31 December 2023 and 1 January 2024	51,150	(56,396)	(5,246)
Amounts recognised in profit or loss:			
Current service cost	5,280	—	5,280
Past service cost	42	—	42
Operating expenses	—	223	223
Interest expense/(income)	1,496	(2,346)	(850)
Remeasurements recognised in other comprehensive income:			
Return on plan assets (excluding interest)	—	44	44
Actuarial losses arising from changes in			
– financial assumptions	547	—	547
– demographic assumptions	26	—	26
Actuarial losses due to the difference between assumption and reality	4,205	—	4,205
Contributions to the plan:			
Employer	—	(2,105)	(2,105)
Payments from the plan	(7,028)	3,870	(3,158)
Exchange differences	(5,169)	5,438	269
At 31 December 2024	50,549	(51,272)	(723)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

The maximum economic benefit available from the net defined benefit asset is determined based on reductions in future contributions.

The fair value of the plan assets at the end of the reporting period consists of bank savings.

The principal actuarial assumptions adopted by the Group as at 31 December 2024 (expressed as weighted average) are as follows:

	2024	2023
Discount rate	3.81%	4.413%
Salary growth rate	3.80%	4.170%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner to retire at the age of 60.

Through its defined benefit pension plans, the Group does not expose to any risk since the Group can choose products that can earn confirmed interest and guarantee the repayment of principal and interest.

The Group's sensitivity analysis for each significant actuarial assumption as of the end of the reporting period based on reasonably possible changes of the relevant actuarial assumption is as follows:

	Increase/ decrease in rate	Impact on defined benefit obligation 2024	Increase/ decrease in rate	Impact on defined benefit obligation 2024
Discount rate	1% (4.47%)/5.01%		1% (4.54%)/5.09%	
Salary growth rate	1% 4.96%/(4.51%)		1% 5.06%/(4.60%)	

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

The Group finances the funding requirements of the pension plan by choosing products that can earn determined interest and security insurance products to generate operating income and does not have any funding arrangements and funding policy that will affect future contributions.

The expected contributions to the pension plan for the year ending 31 December 2025 is approximately RMB2,105,000 (2024: RMB5,912,000).

The weighted average duration of the Group's defined benefit obligation is approximately 6.76 years. The maturity analysis of the Group's undiscounted benefit payments is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Pension payments	5,989	5,757	12,124	47,516	71,386
At 31 December 2023					
Pension payments	6,615	2,857	13,237	48,202	70,911

(b) Obligation to pay long service payment ("LSP") under Hong Kong Employment Ordinance (Chapter 57)

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 13(a)), with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangements in place to meet its LSP obligation.

In June 2022, the Government gazetted the amendment ordinance (the "Amendment Ordinance"), which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(b) Obligation to pay long service payment ("LSP") under Hong Kong Employment Ordinance (Chapter 57) *(continued)*

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that participate in MPF Scheme and the impact on the consolidated financial statement is immaterial.

39. TRADE PAYABLES

The ageing analysis of trade payables based on the date of receipt of goods and invoices, is as follows:

	2024 RMB'000	2023 RMB'000
0 to 90 days	86,230	32,707
91 to 180 days	1,307	205
181 to 365 days	1,116	85
Over 365 days	360	260
	89,013	33,257

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	82,046	22,361
US\$	4,678	5,946
EUR	458	2,638
KRW	1,831	2,312
	89,013	33,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

40. ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Accruals	44,898	36,545
Construction fee payables	40,534	8,000
Other payables	44,201	40,743
	129,633	85,288
Analysed as:		
Current liabilities	127,885	84,820
Non-current liabilities	1,748	468
	129,633	85,288

41. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Deposits received in advance	21	184

Movements in contract liabilities:

	2024 RMB'000	2023 RMB'000
At 1 January	184	13
Acquisition of a subsidiary	—	511
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities	(146)	(339)
Exchange differences	(17)	(1)
At 31 December	21	184

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 22 August 2023, the Group acquired 42.45% of the issued share capital of CQV for a total consideration of approximately KRW59,032,294,000 (equivalent to approximately RMB465,700,000). CQV is engaged in the manufacturing and sales of pearlescent pigment in Korea. The acquisition is for the purpose of expanding the Group's international business presence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of a subsidiary *(continued)*

The fair value of the identifiable assets and liabilities of CQV acquired as at the date of acquisition are as follows:

	CQV RMB'000
Net assets acquired:	
Property, plant and equipment	243,065
Right-of-use assets	519
Intangible assets	26,802
Defined benefit assets, net	9,061
Deferred tax assets	10,153
Inventories	120,073
Trade and bills receivables	59,616
Allowance for doubtful debts	(1,779)
Other receivables	4,023
Deposits and prepayments	1,490
Bank and cash balances	75,112
Lease liabilities	(507)
Borrowings	(89,714)
Deferred revenue	(9,069)
Trade payables	(7,281)
Deferred tax liabilities	(14,664)
Accruals and other payables	(18,737)
Contract liabilities	(511)
Current tax liabilities	(88)
	407,564
Non-controlling interests	(186,886)
Goodwill	104,229
	324,907
Satisfied by:	
Cash	137,597
Issue of ordinary shares of the Company	187,310
	324,907
Net cash outflow arising on acquisition:	
Cash consideration paid	137,597
Cash and cash equivalents acquired	(75,112)
	62,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of a subsidiary *(continued)*

The fair value of the trade, bills and other receivables acquired is approximately RMB61,860,000. The gross amount due under the contracts is approximately RMB63,639,000, of which approximately RMB1,779,000 is expected to be uncollectible.

Acquisition-related costs of approximately RMB3,569,000 have been charged to administrative and other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2023.

The fair value of the 47,106,546 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The fair value of the non-controlling interest in CQV, a company listed on the KOSDAQ of the Korea Exchange, was determined on the basis of the closing market price of CQV's ordinary shares on the acquisition date.

The goodwill arising on the acquisition of CQV is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

CQV contributed approximately RMB103,106,000 to the Group's revenue for the year ended 31 December 2023 for the period between the date of acquisition and the end of that reporting period. CQV contributed approximately RMB8,946,000 to the Group's profit for the year ended 31 December 2023 for the period between the date of acquisition and the end of that reporting period.

If the acquisition had been completed on 1 January 2023, total Group revenue for the year ended 31 December 2023 would have been approximately RMB1,240,690,000 and profit for the year ended 31 December 2023 would have been approximately RMB224,465,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

(b) Change of interest in a subsidiary without loss of control

(i) Acquisition of 7.77% effective equity interest in Chesir Luzhai on 14 September 2023

During the year ended 31 December 2023, the Group acquired 7.77% effective equity interest in Chesir Luzhai at a cash consideration of RMB30,000,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	(35,108)
Consideration paid to non-controlling interests	30,000
Gain on acquisition recognised directly in equity	5,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Change of interest in a subsidiary without loss of control *(continued)*

(ii) Acquisition of 31.07% effective equity interest in Chesir Luzhai on 17 November 2023

During the year ended 31 December 2023, the Group acquired 31.07% effective equity interest in Chesir Luzhai at a cash consideration of approximately RMB150,184,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	(144,353)
Consideration paid to non-controlling interests	150,184
Loss on acquisition recognised directly in equity	(5,831)

(iii) Disposal of 31.91% effective equity interest in Chesir Luzhai on 22 November 2023

During the year ended 31 December 2023, the Group disposed of 31.91% effective equity interest in Chesir Luzhai at a cash consideration of RMB137,900,000. The effect of the disposal on the equity attributable to the owners of the Company is as follows:

	RMB'000
Carrying amount of non-controlling interests disposed	(148,611)
Consideration received from non-controlling interests	137,900
Loss on disposal recognised directly in equity	(10,711)

(iv) Deemed disposal of 13.05% effective equity interest in Chesir Luzhai on 12 December 2023

During the year ended 31 December 2023, an investor has injected RMB1,000,000,000 to acquire 13.05% effective equity interest of Chesir Luzhai. The effect of the disposal on the equity attributable to the owners of the Company is as follows:

	RMB'000
Carrying amount of non-controlling interests deemed disposed	(195,544)
Proceeds received from non-controlling interests	1,000,000
	804,456
Gain on deemed disposal attribute to the existing non-controlling interest	(361,468)
Gain on deemed disposal recognised directly in equity	442,988

(c) Major non-cash transaction

Additions to right-of-use assets during the year of approximately RMB6,743,000 (2023: RMB4,740,000) were financed by lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(d) Reconciliation of liabilities arising from financing activities

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

	1 January RMB'000	Entering into new leases RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Acquisition of a subsidiary RMB'000	Recognition of derivative components of convertible bonds RMB'000	Exchange differences RMB'000	31 December RMB'000
2024								
Bank loans and other borrowings (note 33)	326,990	—	1,382,264	44,599	—	—	(24,841)	1,729,012
Convertible bonds (note 37)	576,142	—	40,180	73,514	—	(10,864)	4,317	683,289
Lease liabilities (note 34)	4,909	6,515	(2,707)	323	—	—	(95)	8,945
	908,041	6,515	1,419,737	118,436	—	(10,864)	(20,619)	2,421,246
2023								
Bank loans and other borrowings (note 33)	203,313	—	16,424	16,723	89,714	—	816	326,990
Convertible bonds (note 37)	294,217	—	250,846	34,601	—	(2,847)	(675)	576,142
Lease liabilities (note 34)	277	4,585	(572)	108	507	—	4	4,909
	497,807	4,585	266,698	51,432	90,221	(2,847)	145	908,041

(e) Total cash outflow for leases

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

	2024 RMB'000	2023 RMB'000
Within operating cash flows	4,180	3,455
Within financing cash flows	2,384	464
Represents lease rental paid	6,564	3,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. RELATED PARTY TRANSACTIONS

(a) Nature of Related Party

The Group has transactions with entity controlled by the head of procurement department (key management personnel) of one of the subsidiaries of the Company.

(b) Transactions with related party

Apart from disclosed elsewhere in the consolidated financial statements, the following is a summary of the related party transactions carried out in the normal course of business of the Group:

(i) Sales and purchases with related party

	2024 RMB'000	2023 RMB'000
Purchase of goods from related party	15,820	—

(ii) Balances with related party

	2024 RMB'000	2023 RMB'000
Deposit paid to a related party for purchase of production equipment	50,000	—
Trade payable due to related party	10,650	—

44. CONTINGENT LIABILITIES

CQV is a defendant in a lawsuit for injunction of patent infringement brought during 2022 claiming approximately RMB1,100,000. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

45. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred and provided for are as follows:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	686,063	275,058
Acquisition of worldwide global surface solution business	5,187,000	—
	5,873,063	275,058

46. LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for office, office equipment and staff quarters. As at 31 December 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements, is set forth below.

RESULTS

	Year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	1,648,763	1,064,055	916,820	669,727	569,113
Cost of goods sold	(764,105)	(528,035)	(455,151)	(329,661)	(280,046)
Sales related tax and auxiliary charges	(10,999)	(7,691)	(6,334)	(5,443)	(5,002)
Gross profit	873,659	528,329	455,335	334,623	284,065
Profit before tax	406,292	254,031	274,468	191,107	177,821
Income tax expense	(86,020)	(40,746)	(37,958)	(21,991)	(24,960)
Profit for the year	320,272	213,285	236,510	169,116	152,861
Profit attributable to:					
Owners of the Company	242,176	181,578	223,788	162,026	148,172
Non-controlling interests	78,096	31,707	12,722	7,090	4,689
	320,272	213,285	236,510	169,116	152,861

ASSETS AND LIABILITIES

	As of 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	7,054,508	5,155,282	3,156,870	2,604,373	1,594,304
Total liabilities	2,701,383	1,070,137	613,544	261,720	246,991
	4,353,125	4,085,145	2,543,326	2,342,653	1,347,313
Equity:					
Equity attributable to owners of the Company	3,376,497	3,156,490	2,357,440	2,169,489	1,181,239
Non-controlling interests	976,628	928,655	185,886	173,164	166,074
	4,353,125	4,085,145	2,543,326	2,342,653	1,347,313