德基科技

D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE **1301**

2024
Annual Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Choi Hung Nang *(Chairman)*
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer)*
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi
Mr. Lao Kam Chi

Non-Executive Directors

Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

Mr. O'Yang Wiley
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

Audit Committee

Mr. O'Yang Wiley *(Chairman)*
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

Remuneration Committee

Mr. Fok Wai Shun, Wilson *(Chairman)*
Ms. Choi Kwan Li, Glendy
Mr. O'Yang Wiley

Nomination Committee

Mr. Choi Hung Nang *(Chairman)*
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco

Risk Management Committee

Ms. Choi Kwan Li, Glendy *(Chairman)*
Mr. Liu Tom Jing-zhi
Mr. O'Yang Wiley
Mr. Fok Wai Shun, Wilson
Mr. Yeung Tsz Kit Alban

Company Secretary

Mr. Yeung Tsz Kit Alban

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. Yeung Tsz Kit Alban

Registered Office

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

Principal Place of Business in Hong Kong

7/F, Hing Lung Commercial Building,
68-74 Bonham Strand, Sheung Wan,
Hong Kong

Principal Place of Business in the PRC

No.12 Yinghua Road,
Yongqing Industrial Park,
Yongqing County, Langfang City,
Hebei Province,
PRC

Hong Kong Branch Share Registrar

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountant and Registered PIE auditor

Legal Advisor

MinterEllison LLP

Principal Bankers

Bank of Cangzhou Co., Ltd
Industrial Bank Co., Ltd.
Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Company Website

www.dgtechnology.com

FIVE YEAR FINANCIAL SUMMARY

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Results					
Revenue	**370,559**	277,861	345,387	429,203	378,929
Gross Profit	**123,877**	85,264	103,861	140,421	77,997
Profit/(loss) attributable to owners of the Company for the year	**4,413**	(23,864)	(40,788)	10,663	(17,244)
Assets, Liabilities and Equity					
Total assets	**737,678**	777,127	858,098	919,629	923,128
Total liabilities	**(172,399)**	(173,605)	(232,363)	(252,439)	(275,912)
Total equity	**565,279**	603,522	625,735	667,190	647,216

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual report of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2024 (the "Year").

The Year held dual significance for the Company. It signified the final year of China's 14th Five-Year Plan, with local governments focused on engineering projects towards the national aspiration of becoming a transportation hub. Simultaneously, the Year marked the Company's 25th anniversary, underscoring our enduring presence in the industry despite weathering numerous economic cycles.

Looking back on the Year, China encountered a series of economic challenges, yet remained steadfast in advancing its core development goals. The national comprehensive transportation network accelerated its development, with the main framework essentially formed, covering over 80% of counties nationwide and serving around 90% of the country's economy and population. Notably, the massive transportation project, the Shenzhen-Zhongshan Link（深中通道）, which had been under construction for seven years, officially opened to traffic. The advancement of AI technology and growing environmental consciousness have continuously driven the country forward. According to the National Bureau of Statistics, the Chinese economy demonstrated resilience and projected to achieve a 5.0% year-on-year Gross Domestic Product (GDP) growth rate, aligning with the government's expectations.

During the Year, the company capitalized on the government's infrastructure-focused initiatives and achieved a significant increase in new orders from China, our major market. We further penetrated into the South-east Asia markets such as Thailand and Malaysia, which have keen demand for recycling plant solution. Thanks to the unwavering efforts of our team and the Company's commitment to quality assurance that aligns with our brand values over the years, we have successfully completed one important project after another. This has enabled us to gain customers' confidence and continue to secure new projects, maintain a stable cash flow.

As a key participant in the road construction and maintenance industry, the Group continues to adjust the strategies and make progress within the evolving market landscape. During the Year, the Group reported a revenue of HK$370.6 million (2023: HK$277.9 million), representing a year-on-year increase of 33.4%. Moreover, we implemented rigorous cost control measures and transitioned from a net loss of HK$23.9 million in the previous year to a net profit of HK$4.4 million, signalling a robust and long-awaited financial turnaround.

As of 31 December 2024, the Group completed 30 (FY2023: 28) sales contracts of asphalt mixing plants, including a significant project in Hong Kong. Among the completed works, there were landmark highways construction and maintenance projects in the PRC, including Xianning to Jiujiang Expressway（咸九高速公路）, Hebei Qugang Expressway Cangzhou Section（河北曲 港高速滄州段）, also Chongqing-Hunan Double Expressway（渝湘複線高速公路）and Mei County to Taibai Expressway（眉太高速路面第二標段）and a significant project in and Hong Kong SAR.

Being a leading industry player, D&G Technology strives to innovate, align with the times, and seize opportunities. With AI intelligence and green initiatives driving societal progress, we are exploring further advancements in our products and productivity. We offer smart road construction and conservation solution for different clients, including a full range of asphalt mixing plants from small to large scale, recycled asphalt pavement ("RAP") crushing equipment and sand manufacturing machine. Our products were highly praised by new clients, especially in Southeast Asia, for their optimal operational efficiency, cost-effectiveness, and environmental sustainability.

Our commitment to innovation was exemplified through our continued investment in R&D, focusing on developing products that precisely address the emerging market's demand for cutting-edge eco-friendly technologies. During the Year, the Group introduced a drying drum featuring a "self-cleaning" capability, which surpasses traditional products in terms of economic efficiency and sustainability. By continuously innovating, we actively engaged with customers, enabling us to introduce optimization and improvement solutions for them, such as adding bitumen foaming device for warm mix asphalt to existing plants. This expands revenue streams and enhances the customer experience.

During the Year, the Group was distinguished with several prestigious awards that underscore our environmental leadership, including "Hong Kong Green Awards 2024" – Corporate Green Governance Award, "Industry Cares 2024 Award", "UNSDG Achievement Awards 2024 Hong Kong" and "BOCHK – EcoChallenger Award", reflecting our continuous strategic efforts in environmental protection and the dedication to creating meaningful social impact. Furthermore, the Group demonstrated its industry leadership and strong performance through recognition at the Global Construction Machinery Industry Conference, including consistently ranking among the "Top 50 Global Construction Machinery Manufacturers," being named a "Top 50 Specialized Manufacturer in China," and earning awards for our road machinery equipment and mixing equipment technologies.

Looking ahead, the Group maintains a cautiously optimistic outlook on the business environment. In the year of 2025, which marks the conclusion of the "14th Five-Year Plan" and the planning year for the "15th Five-Year Plan," we firmly believe that road construction remains a key focus of government development initiatives.

Green and smart construction has been pivotal in driving sustainable transport development in China. The first zero-carbon highway in China, namely Jinan-Hefei Highway was opened to traffic in late 2024. It integrated renewable energy systems and advanced tracking technology to cut carbon emissions by 9,000 tons yearly. This sustainability drive will continue to boost industry growth, ensuring long-term demand for road construction equipment and services. In addition, the project of 157.79-kilometre unmanned paving task on the Beijing-Hong Kong-Macao Expressway was completed. It was the world's first fully unmanned paving construction. This achievement showcased China's innovative approach to road construction, paving the way for increased creativity and cost-effective solutions in the industry, while also setting a new standard for efficiency, quality, and safety.

These achievement in China demonstrated a robust appetite for advanced, environmentally sustainable road construction machinery, perfectly aligning with global sustainability trends and regulatory expectations, and positioning us at the forefront of technological advancement in the industry. We will vigilantly monitor and strategically capitalize on emerging opportunities in China and overseas. Building on our successful market penetration in Southeast Asia, we will actively pursue new orders from existing customers while simultaneously exploring potential new client segments. Europe, Africa and the "Belt and Road" countries are also our targets for market expansion. We eagerly showcase the top-tier products, demonstrating our advanced product capabilities, and expanding our market share through participation in key projects in emerging markets.

Lastly, on behalf of the board of directors of the Company (the "Board" or the "Directors"), I would like to extend our heartfelt appreciation to the exceptional management team and diligent staff for their tireless efforts, and to our valued shareholders and investors for their continuous confidence and unwavering support.

Choi Hung Nang
Chairman
28 March 2025

Business Review

General Review

For the year ended 31 December 2024, D&G Technology Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") continued to be a leading market player in the road construction and maintenance machinery industry in the People's Republic of China (the "PRC", "China" or "Mainland China") and overseas markets. The Group offers smart road construction and conservation solution for different clients by offering a full range of asphalt mixing plants from small to large scale, recycled asphalt pavement ("RAP") crushing equipment and sand manufacturing machine. Additionally, the Group provided modification services by adding recycling and environmental protection functions, such as bitumen foaming device for warm mix asphalt to existing plants.

The asphalt mixing plants, being the core products are divided into two main categories: (i) conventional hot-mix asphalt mixing plant ("Conventional Plant") and (ii) recycling hot-mix asphalt mixing plant ("Recycling Plant"). The asphalt mixtures produced by the asphalt mixing plants of the Group can be applied in the construction and maintenance of all levels of roads and highways. The Recycling Plants of the Group, in addition to producing regular asphalt mixtures, can also produce recycled asphalt mixtures which contain a combination of reclaimed asphalt pavement and new materials such as bitumen, aggregates and fillers. Our recycling plant operations successfully accomplish the goals of resource recovery and cost reduction in the production of asphalt mixtures. Furthermore, in recent years, we have developed advanced technologies, including RAP crushing equipment and sand manufacturing machinery. When integrated with our established expertise in asphalt mixture production, these innovative solutions comprehensively address the needs of our clientele.

During the Year, our major market, China's road construction industry continued to exhibit robust growth and momentum, underpinned by concerted efforts from regional governments in the PRC to solidify the country's position as a transportation hub. Extensive plans for trillions of yuan worth of transportation investments were initiated nationwide to provide support for sustaining domestic demand and stabilizing the overall economy.

This year, we successfully expanded our overseas market reach into new regions, including Indonesia, Madagascar, Malawi, and the Democratic Republic of the Congo. These regions are actively advancing urban development and infrastructure projects, creating a significant demand for our machinery.

As of 31 December 2024, the Group completed 30 (FY2023: 28) sales contracts of asphalt mixing plants, including a significant project in Hong Kong. Among the completed works, there were landmark highways construction and maintenance projects in the PRC, including Xianning to Jiujiang Expressway（咸九高速公路）, Hebei Qugang Expressway Cangzhou Section（河北曲港高速滄州段）, also Chongqing-Hunan Double Expressway（渝湘複線高速公路）and Mei County to Taibai Expressway（眉太高速路面第二標段）and a significant project in and Hong Kong SAR.

With the initiation of new projects and successful completion of key projects throughout the year, the total revenue increased by approximately 33.4% to RMB370,559,000 during 2024 (FY2023: RMB277,861,000). Gross profit was increased by 45.3% to RMB123,877,000 (FY2023: RMB85,264,000) following more orders in PRC regions. Despite that, the Group introduced stringent cost control measures and automation, leading to a modest turnaround from a loss-making position to profitability, with a net profit of RMB4,413,000 for the year. (FY2023: Net loss of RMB23,864,000).

In addition to the heightened sales in the PRC, the Group strategically diversified into overseas market to mitigate the challenges presented by competitors and the unpredictable economic landscape. Capitalizing on the development opportunities presented by the "Belt and Road Initiative", the Group increased sales efforts in Hong Kong, Southeast Asia and Africa, as well as European region. In particular, the Group completed delivery of a highly intelligent, efficient and environmental-friendly recycling plant for a key development project in Hong Kong, further demonstrating our products' capabilities. In May 2024, the Group visited Xinjiang with other economic and trade representatives from Hong Kong and the PRC. It signed agreements with local companies to cooperate on the development of comprehensive green and intelligent solutions. In South-east Asia, where have strong demand for recycling plants driven by government policies emphasizing sustainable development, the Group established sales network, penetrated the markets including Thailand and Malaysia, thus secured various projects for the first time.

Notably, the Group has consistently dedicated significant resources in research and development. During the Year, it introduced a drying drum featuring a "self-cleaning" capability, which significantly outperforming existing solutions in terms of both economic and environmental efficiency. Unlike conventional drying drums, which typically necessitate periodic internal residue removal and subsequently compromise operational effectiveness, the newly developed product has been engineered to extend the cleaning interval for energy conservation. As a direct consequence, energy conservation is enhanced, emissions are reduced, and operational efficiency is improved. This product innovation unequivocally underscores D&G's unwavering commitment to scientific research and serves as a testament to its position as a leading industry player within the recycling equipment sector.

D&G Technology, as a benchmark enterprise in the industry, has consistently sought to contribute to society and support education. In 2024, the Group proudly donated substantial resources to Chang'an University in Xi'an, reinforcing their ongoing collaboration in areas such as student employment, scientific research and development, and technology transfer. This initiative aims to facilitate resource sharing and collaboratively promote high-quality development, underscoring the group's commitment to fostering educational advancement and innovation in partnership with the university.

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture, the vital material for asphalt road construction, holds great importance for the Group. With a strong emphasis on diversifying income sources and increasing profits, the Group is dedicated to the development of asphalt-related businesses along the supply chain. To harness the power of local expertise and maximize synergies, the Group actively seeks potential strategic partners to collaborate on the production and sale of asphalt mixtures. By forging these strategic alliances, the Group aims to create a robust and thriving asphalt mixture business.

Development of combustion technology

In the year 2024, the Group has maintained its research efforts on combustion technology to advance its manufacturing and sales of burner combustion equipment, along with related technical support services. This equipment is versatile and applicable across various sectors, including asphalt mixing plants, furnaces, and heating systems, enhancing operational efficiency and effectiveness. As at 31 December 2024, 60 (31 December 2023: 40) patents of combustion technology were registered, 3 patents were pending registration.

Investment in a convertible bond (the "Convertible Bond")

On 10 August 2020, the Group's wholly owned subsidiary, Langfang D&G Machinery Technology Company Limited* ("Langfang D&G") (as the lender), has entered into a convertible bond agreement with Zhejiang Zhengfang Asphalt Concrete Technology Limited* (the "Zhengfang ACT") (as the borrower). It is a wholly owned subsidiary of Zhejiang Zhengfang Holding Limited, as a guarantor in the convertible bond agreement, a road construction company in Zhejiang, China which is an existing customer of Langfang D&G.

The principal amount of the Convertible Bond is in a total amount of RMB20 million. The Convertible Bond is interest bearing at 6% per annum and the maturity date is 30 April 2024.

During the tenure of the Convertible Bond, the Zhengfang ACT shall purchase no less than five sets of asphalt mixing plants from Langfang D&G.

As at 30 April 2024, Langfang D&G and Zhengfang ACT have mutually agreed that in lieu of exercising the equity conversion option, Langfang D&G will instead elect to receive the full repayment of the RMB20 million principal amount from Zhengfang ACT. The Group received a total of approximately RMB20,433,000 in cash, comprising of principal of RMB20,000,000 and interest income of RMB409,000, net of tax, on 10 May 2024.

Research and development

The Group has consistently upheld its robust research and development competencies to reinforce its status as a leading market participant in the road construction and maintenance machinery sector, with an emphasis on medium to large-scale asphalt mixing plants. As at 31 December 2024, the Group owns 257 registered patents in the PRC (of which 15 were invention patents and 7 were appearance patents) and 30 software copyrights. In addition, the registration of 28 patents were pending approval as at 31 December 2024.

Marketing and Awards

The Group prioritizes the marketing and promotion of its brands, products, and services, utilizing a range of digital platforms, including global B2B e-commerce platforms, mobile websites, LinkedIn, and WeChat, to enhance customer experiences and establish a strong brand presence in both domestic and international markets. During the year, the Group participated in various promotional events, technical seminars and corporate social responsibility events such as the 9th Asphalt Pavement Maintenance Technology Forum in Zhengzhou, Xinjiang exchange program organized by the Hong Kong Belt and Road Office, the 1st Highway Maintenance Equipment and Intelligent Safety Facilities Exhibition and Technical Exchange Conference of Hubei Province and the 2024 Paving and Maintenance Machinery Branch Annual Meeting and Development Forum.

In 2024, the Group received considerable recognition for its dedication to sustainability and corporate social responsibility. It was awarded the Merit Award for Sustainable Development Organization by the Green Council at the UNSDG Achievement Awards Hong Kong 2024, acknowledging its exemplary practices in alignment with the United Nations Sustainable Development Goals. Additionally, the Hong Kong Council of Social Service honored the Group as a "5 Years Plus Caring Company", highlighting its ongoing commitment to social initiatives. The organization also garnered accolades at the BOCHK Corporate Environmental Leadership Awards, receiving titles such as "EcoChallenger" and "5 Years+ EcoPioneer". These awards, bestowed by the Federation of Hong Kong Industries and the Bank of China (Hong Kong), recognize the Group's significant contributions to environmental protection and sustainable business practices. Collectively, these distinctions affirm the company's leadership in promoting a responsible and sustainable future within its industry.

Outlook

Looking ahead, China remains our primary market, aiming to make significant strides towards achieving the goal of becoming a transportation hub in the final phase of the 14th Five-Year Plan. During the National Transportation Conference in 2025 hosted by the Ministry of Transport in December 2024, the state government reiterated the importance of accelerating the construction of a strong transportation network, stabilizing effective transportation investments, and laying a solid foundation for a promising start to the 15th Five-Year Plan. This reaffirmation sent a positive message for the continued optimization of the transportation infrastructure, setting a favorable stage for our industry in the upcoming year.

In the rapidly evolving road construction industry, the Group will continue to prioritize R&D to offer cutting-edge solutions and expand its market presence in high-potential regions. Initiatives in Southeast Asia, such as in Thailand, India, and Malaysia, target the growing demand for recycling facilities driven by sustainable development policies.

Internally, the Group will strengthen financial management, enhance accounts receivable practices for stability and increased revenue. Stricter credit controls and improved collections aim to mitigate payment risks and enhance cash flow. Regular credit evaluations of customers strengthen financial stability, enabling strategic investments for growth while maintaining fiscal health. Despite potential challenges, the Group maintains a cautiously optimistic outlook, aiming to establish a sustainable foundation for long-term success and deliver superior shareholder returns.

Financial Review

During the year ended 31 December 2024, the Group recorded a total revenue of RMB370,559,000 (2023: RMB277,861,000), representing an increase of approximately 33.4% as compared to last year. The gross profit of the Group increased from RMB85,264,000 for the year ended 31 December 2023 to RMB123,877,000 for the year ended 31 December 2024, representing an increase of approximately 45.3%. The overall gross profit margin increased by 2.7 percentage points from 30.7% to 33.4%. The Group recorded a net profit attributable to owners of the Company of RMB4,413,000 compared with a net loss of RMB23,864,000 last year.

	2024 **RMB'000**	2023 RMB'000	Change
Sales of asphalt mixing plants	**274,850**	184,044	49.3%
Sales of spare parts and modified equipment	**53,657**	69,898	-23.2%
Sales of other asphalt specialty equipment	**42,052**	23,919	75.8%
	370,559	277,861	33.4%

Sales of Asphalt Mixing Plants

	2024 **RMB'000**	2023 RMB'000	Change
Revenue	**274,850**	184,044	49.3%
Gross profit (Note)	**87,969**	49,354	78.2%
Gross profit margin	**32.0%**	26.8%	5.2pp
Number of contracts	**30**	28	2
Average contract value	**9,162**	6,573	39.4%

Revenue from the sales of asphalt mixing plants increased this year, driven by a higher number of sales contracts and a corresponding increase in the average contract value. The increase in average contract value was primarily driven by the strong growth in larger-scale local sales within the PRC following the full lifting of epidemic prevention measures, as local governments prioritized economic and livelihood activities. These larger local contracts significantly contributed to the overall growth in revenue. The increase in number of contracts completed was mainly due to that following the full lifting of epidemic prevention measures in the PRC, local governments have been focused on restoring economic and livelihood activities, resulting in projects investments. The increase in number of sales contracts were in line with the trend of the market. Furthermore, overall profitability improved due to an increased proportion of sales coming from higher-capacity asphalt mixing plants, which typically generate higher gross profit margins.

Note: Reversal of provision for impairment of inventories of RMB2,727,000 was made for the year ended 31 December 2024 (2023: Provision for impairment of inventories of RMB1,973,000) and charged to the "cost of sales". The gross profit of the sales of asphalt mixing plants presented above and this section has excluded the provision for impairment of inventories for analysis purpose.

By Types of Plants

	2024 RMB'000	2023 RMB'000	Change
Recycling Plants			
Revenue	**190,467**	88,710	114.7%
Gross profit	**62,096**	22,949	170.6%
Gross profit margin	**32.6%**	25.9%	6.7pp
Number of contracts	**16**	10	6
Average contract value	**11,904**	8,871	34.2%
Conventional Plants			
Revenue	**84,383**	95,334	-11.5%
Gross profit	**25,873**	26,405	-2.0%
Gross profit margin	**30.7%**	27.7%	3.0pp
Number of contracts	**14**	18	-4
Average contract value	**6,027**	5,296	13.8%

Revenue from the sales of Recycling Plants experienced a substantial increase of 114.7% compared to the previous year, reaching RMB190,467,000. This significant growth was primarily driven by the completion of one substantial contract with a high gross profit margin during the year. In addition, increasing local demand for recycling-type plants, driven by a growing emphasis on reducing carbon footprints and promoting sustainable practices, also contributed to the increased number of contracts and average contract value. The high gross profit margin associated with the substantial contract significantly boosted the overall gross profit and gross profit margin to 33.4%.

Revenue from the sales of Conventional Plants decreased by 11.5% compared to the previous year, totaling RMB84,383,000. This decline is largely attributable to a shift in customer demand towards Recycling Plants, driven by a growing preference for environmentally friendly and sustainable solutions. Although the number of contracts decreased, this shift led to an increased gross profit overall, as the current year's sales were primarily comprised of larger Conventional Plant models with significantly higher gross profit margins compared to the smaller models sold in the prior year.

By Geographical Location

	2024 RMB'000	2023 RMB'000	Change
The PRC			
Revenue	**218,798**	122,777	78.2%
Gross profit	**71,436**	32,803	117.8%
Gross profit margin	**32.6%**	26.7%	5.9pp
Number of contracts	**23**	15	8
Average contract value	**9,513**	8,185	16.2%
Overseas			
Revenue	**56,052**	61,267	-8.5%
Gross profit	**16,533**	16,551	-0.1%
Gross profit margin	**29.5%**	27.0%	2.5pp
Number of contracts	**7**	13	-6
Average contract value	**8,007**	4,713	69.9%

Revenue from the PRC sales increased by 78.2% in 2024, driven by an increase in both the number of contracts completed and the average contract value. This surge is primarily attributable to the full lifting of epidemic prevention measures in the PRC, which has allowed local governments to focus on restoring economic and livelihood activities, leading to increased project investments. The gross profit margin increased by 5.9 percentage points to 32.6%, primarily because more large capacity AMP models were sold in the current year, which generally have higher gross profit margins.

Revenue from overseas sales decreased by 8.5% in 2024, despite a 69.9% increase in the average contract value. The gross profit margin increased by 2.5 percentage points to 29.5%. This increase is attributed to more large capacity orders of AMP which were completed, resulting in an increased gross profit despite the decrease in the number of contracts completed.

Sales of Spare Parts and Components and Modified Equipment

	2024 RMB'000	2023 RMB'000	Change
Revenue	**53,657**	69,898	-23.2%
Gross profit	**24,919**	32,936	-24.3%
Gross profit margin	**46.4%**	47.1%	-0.7pp

The Group sold spare parts and components for the asphalt mixing plants to its customers as value-added services. The Group also sold modified equipment, including modifying the Conventional Plants, installing key components with recycling functions, upgrading control systems and other customised services.

The revenue from sales of spare parts and components amounted to RMB30,868,000 (2023: RMB34,094,000). The revenue from sales of modified equipment amounted to RMB22,789,000 (2023: RMB35,804,000). The decrease in revenue was mainly due to the decrease in the number of customers demand for modification of Conventional Plants and decrease in sales order of spare parts and components. The gross profit margin decreased by 0.7 percentage points because several modified equipment orders were with less gross profit margin during the year.

Sales of other Asphalt Speciality Equipment

	2024 RMB'000	2023 RMB'000	Change
Revenue	**42,052**	23,919	75.8%
Gross profit	**8,262**	4,947	67.0%
Gross profit margin	**19.6%**	20.7%	-1.1pp
Number of contracts	**15**	8	7
Average contract value	**2,803**	2,990	-6.3%

The Group's strategic focus on asphalt specialty equipment, including the LiuGong Asphalt Plant ("LAP") series asphalt mixing plants, the RAP crushing equipment and the sand manufacturing machine, contributed to significant growth in 2024. While the average contract value slightly decreased, all other important matrix increased. Overall, there was an notable 75.8% growth with 19.6% GP margin, accompanied increase in number of contract, demonstrating increased customer trust and satisfaction in the performance and reliability of our asphalt specialty equipment. This success demonstrates the recognition of value and benefits offered by the product, leading to an increase number contracts.

Other Income and Other (Losses)/Gains, Net

During the year, other income and other (losses)/gains, net mainly represented government grants, fair value gain on a financial asset at fair value through profit or loss, net off with the net exchange loss. The decrease was mainly due to the decrease in government grants and the increase in loss on exchange difference.

Distribution Costs

Distribution costs, which mainly include the salaries of our sales and marketing personnel, fees paid to distributors, freight and transportation expenses, and marketing expenditures, were lower this year. This decrease was driven by a reduction in sales and marketing headcount and lower freight and transportation costs resulting from a decrease in overseas orders.

Administrative Expenses

Administrative expenses, which primarily included staff costs, research and development expenses, and legal and professional fees, increased mainly due to a rise in staff bonuses reflecting strong business performance, and an increase in research and development costs related to the development of the 'X-series' asphalt mixing plants, a more customized and streamlined version.

Net reversal of provision for impairment losses on trade receivables

The amount represented the net reversal of provision for impairment losses on trade receivables of RMB8,749,000 (2023: RMB11,299,000). The increase in reversal of provision for impairment loss was mainly due to decrease in the recoverability risks of the trade receivables of the Group during the year.

Share of Profit of an Associate

The amount represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.* ("Shanghai Topp") of RMB1,816,000 (2023: RMB1,997,000).

Finance Income, Net

Finance income, net mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. The decrease in finance income, net during the year was mainly due to the decrease in interest income on reduced interest rate on deposit.

Income Tax Expense

Income tax expense for the year ended 31 December 2024 was mainly attributable to the deferred tax expenses arisen from the provision for impairment losses on trade receivables, the profit tax incurred by a PRC subsidiary of the Company which is a "high and new technology enterprise" entitled to a preferential tax rate of 15%, and the withholding tax provided for the dividend declared by a PRC subsidiary of the Company.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to RMB4,413,000 for the year ended 31 December 2024 (2023: Loss attributable to owners of the Company amounted to RMB23,864,000). This substantial improvement in profitability was primarily driven by the strong sales performance discussed previously.

Working Capital Management

Net current assets of the Group amounted to RMB393,386,000 (31 December 2023: RMB428,440,000) with a current ratio of 3.3 times (31 December 2023: 3.5 times) as at 31 December 2024.

Inventories increased by RMB1,027,000 from RMB211,933,000 as at 31 December 2023 to RMB212,960,000 as at 31 December 2024. Inventory turnover days was 314 days for the year ended 31 December 2024, representing a decrease of 99 days as compared to 413 days for the year ended 31 December 2023. The decrease in inventories and inventory turnover days was mainly due to the increase in the cost of sales which in line with the increase in sales orders during the year.

Trade and bill receivables increased by RMB72,632,000 from RMB96,557,000 as at 31 December 2023 to RMB169,189,000 as at 31 December 2024. Trade and bill receivables turnover days was 145 days for the year ended 31 December 2023, representing a decrease of 14 days as compared to 131 days for the year ended 31 December 2024. The increase in trade and bill receivables was primarily due to the increase in sales during the year. The decrease in trade and bills receivables turnover days during the year was primarily due to more sales orders received towards the end of the year.

The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bill payables increased to RMB90,398,000 as at 31 December 2024, up from RMB79,897,000 as at 31 December 2023, driven by increased purchases to support higher sales volumes. Despite this increase, trade and bill payables turnover days improved significantly, decreasing to 126 days in 2024 from 174 days in 2023, reflecting the company's focus on prompt settlement with suppliers.

* *For identification purpose only*

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. The treasury policies and objectives of the Group are to lower finance costs while enhancing returns on financial assets under a prudent and conservative approach.

As at 31 December 2024, the Group had cash and cash equivalents of RMB48,926,000 (31 December 2023: RMB161,654,000) and pledged bank deposits of RMB21,672,000 (31 December 2023: RMB22,625,000). The Group had no outstanding borrowings (31 December 2023: interest-bearing bank borrowings of RMB909,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and US dollars.

During the year ended 31 December 2024, the Group recorded a net cash used in operating activities of RMB87,550,000 (2023: net cash used in operating activities of RMB52,145,000). Net cash generated from investing activities amounted to RMB21,722,000 (2023: RMB6,130,000) for the year ended 31 December 2023. Net cash used in financing activities for the year ended 31 December 2024 amounted to RMB47,579,000 (2023: net cash generated from financing activities RMB7,140,000).

Capital Commitments and Contingent Liabilities

Capital commitments as at 31 December 2024 and 2023 not provided for in the consolidated financial statements were as follows:

	At 31 December 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for		
– Property, plant and equipment	**648**	778

As at 31 December 2024, there were no capital commitments authorised but not contracted for (31 December 2023: Same).

Certain customers financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. With respect to these leasing arrangements, the Group provided guarantee to Shanghai Topp amounted up to RMB85,756,000 (2023: RMB112,771,000).

Pledge of Assets

As at 31 December 2024, buildings of RMB24,749,000 (31 December 2023: RMB27,650,000), land use right of RMB4,180,000 (31 December 2023: RMB4,311,000) and bank deposits of RMB21,672,000 (31 December 2023: RMB22,625,000) were pledged for borrowings and bills payables of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including US dollars and Euros. The appreciation or depreciation of Renminbi against these foreign currencies would increase or decrease the price of the Group's products which were sold to overseas markets and might bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of Renminbi would also decrease or increase the cost of sales of the Group in respect of the purchases of raw materials from overseas. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose for the year ended 31 December 2024.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2024, the Group did not have any significant investments or material acquisitions or disposals.

Event after the Reporting Period

No significant event has taken place subsequent to 31 December 2024 and up to the date of this report.

Environmental Policy

The Group aims to develop itself into a green company by connecting with the nature and recognises the impact on the environment and the natural resources in neighboring communities. The Group operates in an environmental-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. The policies are guided by the following principles: clean production, energy saving, pollution prevention, and continuous improvement. This includes setting consumption targets for energy and resources, analysing processes, as well as formulating management measures to reduce energy and resources consumption to a reasonable level.

Currently, the Group complies with all applicable laws and regulations that have a significant impact on the Group while integrating environmental considerations into the business. The Group also follows the requirements and guidance of the national standard for environmental management systems for continual improvement.

The Group strives to be more consciously aware of the environmental impact of its business decisions and mitigates as much environmental impact as possible during its production process. Its commitment is demonstrated by its preventative and reduction measures. The Group seeks to continue its effort through a progressive and systematic approach and it will continue its effort to be fully aware of its environmental impact, to be a good corporate citizen, and to continue developing the Group in a sustainable manner.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2024 and up to the date of this Annual Report, to the best knowledge of the Company, the Group has complied with all the relevant laws and regulations in Mainland China and Hong Kong which have a significant impact on the business and operations of the Group, and there is no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Group aims to align its business strategies with its stakeholders' expectations and concerns. To better understand those expectations and concerns, the Group has to communicate and involve its stakeholders in its decision-making process. During the year ended 31 December 2024, the Group has engaged with its stakeholders on an ongoing basis via various engagement methods, such as online media and Wechat.

Key stakeholder groups include shareholders, employees, customers, suppliers, education and research partners, government and other public bodies, industry associations, and community. The Group continues to expand its stakeholder engagements to suppliers, customers, education and research partners, government and other public bodies, industry associations, and community. This will include surveys, focus group discussions, and other engagement activities. The engagement would allow the Group to better understand stakeholders' views on the Company's sustainable development. The findings will further enhance the sustainability of the Group.

Principal Risks and Uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Group's financial position, operations, business and prospects may be affected by the following identified principal risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Industry risk in the PRC

The Group generates a substantial portion of revenue from the sales of asphalt mixing plants for road construction and maintenance projects in the PRC. The asphalt mixing plants are mainly used in the road construction and maintenance sectors and the development of our business depends on the sustained growth of these sectors in the PRC. Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation in the PRC affect the business and economic environment we are in, which affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC government's spending on road construction and maintenance work declines, this could lead to less expected businesses and construction activities nationwide. If there are changes in the PRC laws, regulations or policies which lead to a decline in investment in infrastructure, road construction and maintenance, the demand for our products and services may decrease.

Industry risk in the overseas market

As part of the expansion strategy, the Group plans to increase our business in the overseas market by increasing the sales of our asphalt mixing plants and related services to customers in overseas markets such as India, Southeast Asia and Middle East countries, which have strong demands for asphalt mixing plants. The growth of our overseas sales of asphalt mixing plants is largely dependent on the demand for our products arising from the road construction and maintenance projects in the overseas markets.

If there is a decrease in investment in road construction and maintenance projects or slower-than-expected economic growth and unfavorable macroeconomic conditions in these overseas markets, this could lead to less expected demand for our products and services.

Financial credit risk

The Group is subject to the risk that trade and bills receivables may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as the slow settlement of government funding for PRC road construction or maintenance projects that our customers participated in, and changes in the implementation of infrastructure projects against original plans. There is credit risk exposure as the provision for impairment losses may be increased because of the above-mentioned factors and other factors such as payment patterns of the customers and macroeconomic conditions. The Group continues to enhance and strengthen the credit control and collection policies to minimise the financial credit risk.

Environmental compliance risk

The PRC government has in recent years been increasingly stringent in its laws relating to environmental protection, for example, imposing carbon restrictions in the industrial and manufacturing sectors. The Group has an environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities comply with the relevant laws and regulations. Because of the increasingly stringent laws and regulations, our operating costs may be increased to ensure consistent compliance. We may also incur additional operating costs to update our waste discharge testing systems, improve our environmental protection technology and processes, and implement additional measures and assign more personnel to ensure that we comply with the PRC environmental laws.

Quality control risk

The performance, quality and safety of our products are critical to our business and development. The Group has established and maintains stringent quality control standards and internal inspection procedures. The effectiveness of our quality control system is determined by various factors, including the implementation of quality standards, the quality of training programs, and the adherence by our employees to our quality control policies and guidelines. In addition, our production output is highly dependent upon our quality control system and reliable and sufficient sources of high-quality raw materials, parts, and components. While we can produce the core parts and components for our products, our customers from time to time will request that we procure certain non-key parts, components, and other ancillary materials for their customised products from a limited number of domestic or overseas suppliers. The Group has stringent quality control standards and measures to ensure parts, components, and ancillary materials will be manufactured in accordance with our internal quality standards.

Employees and Remuneration Policy

As at 31 December 2024, the Group had approximately 330 (2023: 323) employees. The total staff costs for the year ended 31 December 2024 amounted to approximately RMB69,026,000 (2023: RMB73,520,000).

The remuneration policy of the Group was based on performance of employees, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their positions, which includes salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made contributions to pension and provided other employees benefits.

The Group has adopted a share option scheme pursuant to which employees and the Directors may be granted options to subscribe for shares of the Company as incentives or rewards for their service rendered to the Group. No option has been granted during the years ended 31 December 2024 and 2023.

Executive Directors

Mr. Choi Hung Nang, aged 86, is our co-founder, chairman and executive Director. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for supervising the operations and planning the business and marketing strategies of our Group. Mr. Choi established our Group in February 1999 and has been the chairman and director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Choi graduated from the Changsha Railway Institute, Hunan Province (currently known as Central South University) with a bachelor's degree in railway construction in July 1963. In April 2012, he was awarded the outstanding alumni award from Central South University.

Prior to founding our Group, Mr. Choi had been engaged in the import and distribution of European and American-branded specialised engineering equipment in Hong Kong and the PRC for over 12 years.

Mr. Choi is the father of Ms. Glendy Choi and Mr. Derek Choi and the brother of the father-in-law of Mr. Liu Tom Jing-zhi.

Ms. Choi Kwan Li, Glendy, aged 54, is our executive Director and chief executive officer. She was appointed as an executive Director on 11 September 2014. She is primarily responsible for overseeing the corporate management of our Group and the overall management and implementation of business and marketing strategies and plans.

Ms. Glendy Choi has over 26 years of experience in the trading and manufacturing of specialised engineering equipment. She was appointed as a director and general manager of Langfang D&G in June 2009 and her title was changed to President in November 2019. She was appointed as the legal representative of Langfang D&G in June 2011. She is also a director of certain entities of the Group.

Ms. Glendy Choi was a master of business administration in marketing. She is a Fellow Certified Risk Planner of The Institute of Crisis and Risk Management, an EFFAS Certified ESG Analyst® (CESGA) and a Certified ESG Planner CEP®. In November 2015, Ms. Glendy Choi was admitted as a member of the Young Presidents' Organisation ("YPO") – World Presidents' Organisation and served as a Board member of YPO Gold South East Asia Region from 2022 to 2024.

Ms. Glendy Choi is a fellow member of The Hong Kong Institute of Directors. She has been a Committee Member of the Hong Kong Young Industrialists Council ("HKYIC") since October 2017 and was appointed as their Vice President, and Education and Training Committee Chairman for 2024-2025 in November 2024. In December 2021, Ms. Glendy Choi was appointed as a Vice President of the Greater Bay Area Carbon Neutrality Association. In January 2022, Ms. Glendy Choi was appointed as a member of the ISO Steering Committee (2021-2025) of the Federation of Hong Kong Industries. Since February 2022, Ms. Glendy Choi has been an independent non-executive director of Ace Eight Acquisition Corporation.

Ms. Glendy Choi is one of the awardees of the Young Industrialist Awards Hong Kong 2016 and has been awarded the 7th Asia Pacific Entrepreneurship Awards 2016, Hong Kong Chapter by Enterprise Asia. She was titled by the Hebei Committee of the Communist Party of China and the Hebei Provincial People's Government as one of the Hundred High-tech Private Entrepreneurs in Hebei Province in December 2014. Ms. Glendy Choi was titled "100 Most Influential Persons of China Construction Machinery Industry" for five consecutive years from 2017 to 2021 and was titled "50 Influencers of China Construction Machinery Industry" in 2022 and 2024. She is one of the awardees of GBA Outstanding Women Entrepreneur Awards 2023.

Ms. Glendy Choi is the daughter of Mr. Choi Hung Nang, the sister of Mr. Derek Choi, and the cousin-in-law of Mr. Liu Tom Jingzhi.

Mr. Choi Hon Ting, Derek (formerly known as Choi Kwan Wai, Derek), aged 56, is our executive Director. He was appointed as an executive Director on 11 September 2014. Mr. Derek Choi has over 33 years of experience in the trading of specialised engineering equipment. He is primarily responsible for overseeing the strategic business development of our Group. Mr. Derek Choi has been appointed as a director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Derek Choi was awarded a bachelor's degree in agricultural engineering from Purdue University in May 1991. Mr. Derek Choi has been admitted as a fellow member of the Hong Kong Institute of Directors since February 2005. In April 2016, he was admitted as a member of Hong Kong Professionals and Senior Executives Association (HKPASEA). Mr. Derek Choi has been appointed as an independent non-executive director of HM International Holdings Limited (Hong Kong stock code: 8416) since 15 December 2016.

Mr. Derek Choi is the son of Mr. Choi Hung Nang, the brother of Ms. Glendy Choi and the cousin-in-law of Mr. Liu Tom Jing-zhi.

Mr. Liu Tom Jing-zhi, aged 55, is our executive Director and chief operating officer. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for overseeing the daily operations of manufacturing facilities and the implementation of business strategies and plans of our Group. Mr. Liu has over 21 years of experience in corporate management and business operations. He joined our Group in August 2006 as the director and deputy general manager of Langfang D&G. He is also a director of certain entities of the Group.

In September 1999, Mr. Liu was awarded a graduate diploma in business administration from the University of Technology Sydney. Mr. Liu was recognised as a Person of Innovation*(創新人物)by the Equipment Management Institute of Hebei Province Innovation Development Committee*(河北省工業設備管理創新發展峰會組委會)in June 2012. Since April 2013, Mr. Liu has been appointed as a member of the Sixth Committee of Chinese People's Political Consultative Conference, Langfang city*(中國人民政治協商會議廊坊市第六屆委員會)for a term of 5 years and has ended in April 2018.

Mr. Liu is the son-in-law of Mr. Choi Hung Nang's elder brother and the cousin-in-law of Ms. Glendy Choi and Mr. Derek Choi.

Mr. Lao Kam Chi, aged 63, is our executive Director and general manager (sales and marketing). He is primarily responsible for managing and implementing sales and marketing strategies. Mr. Lao has over 37 years of experience in sales and marketing.

Mr. Lao joined our Group in October 2002 as the general manager of the sales and marketing team in Beijing D&G Machinery Company Limited*(北京德基機械有限公司). He has been a director of Langfang D&G since June 2011, and the general manager of our sales and marketing centre since August 2009.

In July 1982, Mr. Lao was awarded a bachelor's degree in engineering from Southwest Jiaotong University*(西南交通大學), China.

* For identification purposes only

Non-executive Directors

Mr. Chan Lewis (formerly known as Chan Yeung), aged 54, was appointed as a non-executive Director on 15 December 2014. Mr. Chan is the managing partner of Maunakai Capital Partners (Hong Kong) Limited. He is also an executive director of DT Capital Limited (formerly known as Incutech Investments Limited) (Hong Kong stock code: 356). He has over 25 years of experience in asset management and investment research. Mr. Chan received his bachelor's degree in economics from the University of Chicago in June 1994 and his master of arts from Columbia University in May 1996. Mr. Chan further obtained his Ph.D. from Harvard University in June 2000.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics. Mr. Chan currently serves as a member of the Admissions, Budgets, and Allocations Committee of the Community Chest of Hong Kong.

Mr. Alain Vincent Fontaine, aged 69, was appointed as a non-executive Director on 15 August 2016. Mr. Fontaine is responsible for providing advice on corporate governance and internal control matters of the Group. Mr. Fontaine obtained a bachelor's degree in electrical engineering from the University of Sherbrooke in Canada in June 1979. He has been a member of the Order of Engineers of Québec since January 1980.

Mr. Fontaine serves as an executive director and the vice-chairman of the Hong Kong Venture Capital and Private Equity Association.

In 2000, he founded Investel Asia, a venture capital and private equity firm and served as its managing director from January 2004 to December 2006. He was the chief executive officer of Newcom LLC from January 2007 to September 2008. Mr. Fontaine served various positions within the BCE Inc. group, a communications group in Canada, including Bell Canada, Bell Ardis and Tata Cellular, for approximately 16 years of his career. Mr. Fontaine has also been acting as a non-executive director of Tsaker Chemical Group Limited (Hong Kong stock code: 1986) since April 2015. He was an independent director of China Lending Corporation, a company listed on NASDAQ (ticker: CLDC) from July 2016 to 29 December 2017. He has been the chairman of the board of directors of Clover Leaf Capital Corp. (a Canadian capital pool company listed on the TSX Ventures Exchange in Canada, stock code: CLVR.P) from March 2022 to October 2023.

Independent Non-executive Directors

Mr. O'Yang Wiley, aged 62, has over 38 years of experience in accounting, finance, and the legal industry, and was appointed as our independent non-executive Director on 1 May 2019.

Since October 2012, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of Hong Kong Economic Times Holdings Limited (Hong Kong stock code: 0423) and a member of its remuneration committee since 26 July 2019. Since October 2018, Mr. O'Yang has been an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Midea Real Estate Holding Limited (Hong Kong stock code: 3990). Since 11 June 2019, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of AB Builders Group Limited (Hong Kong stock code: 1615). From 11 November 2019 to 12 May 2022, Mr. O'Yang has been an independent nonexecutive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Tianyun International Holdings Limited (Hong Kong stock code: 6836). Since 16 February 2022, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Edvantage Group Holdings Limited (Hong Kong stock code: 382).

Mr. O'Yang has been the managing director of Shanggu Securities Limited since February 2018. Before joining Shanggu Securities Limited, he worked for over 13 years as managing director and executive director in various financial institutions, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (Hong Kong stock code: 1988), Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited.

Mr. O'Yang had also worked for over six years as a solicitor in private practice at a number of solicitors' firms and was a partner of Richards Butler (currently known as Reed Smith Richards Butler) immediately before he joined BNP Paribas Capital (Asia Pacific) Limited in May 2004.

Mr. O'Yang graduated from the Chinese University of Hong Kong in Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. Li Zongjin, aged 72, was appointed as our independent non-executive Director on 24 April 2015. He is the Chair Professor of the Faculty of Innovation Engineering at Macau University of Science and Technology from September 2022 and has been the Chair Professor of the Institute of Applied Physics and Materials Engineering at the University of Macau from January 2017 to August 2022. Mr. Li graduated from Zhejiang University, China with a bachelor's degree in structure engineering in 1982. Mr. Li further obtained his master of science in December 1990 and his Ph.D. in December 1993 from Northwestern University, United States of America.

Mr. Li is a fellow of the American Concrete Institute and was a member of the Hong Kong Institute of Engineers.

Mr. Li has over 35 years of experience in the field of civil and structural engineering and has published 6 books in the area of materials engineering. In August 2008, Mr. Li was appointed as a chief scientist under the National Basic Research Program of China (973 Project). Mr. Li's research project on geopolymer-based structural materials preparation technology was awarded second prize by the PRC Ministry of Education in January 2010. Mr. Li received the Arthur R. Anderson Medal from American Concrete Institute in 2017. In July 2017, Mr. Li retired from the Department of Civil and Environmental Engineering of the Hong Kong University of Science and Technology where he was a professor for 23 years.

Mr. Lee Wai Yat, Paco, aged 59, was appointed as our independent non-executive Director on 24 April 2015. From February 2017 to December 2022, Mr. Lee has been the general manager (business development, global frozen and related business) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU). He was also the non-executive director of Avanti Feeds Limited (listed on the Bombay Stock Exchange and National Stock Exchange of India Limited, ticker: AVANTI/AVANTIFEED) and Pakfood Public Company Limited (Stock Exchange of Thailand code: PPC and delisted in November 2013) from 2012 to 2022.

Mr. Lee has over 40 years of experience in capital markets, corporate finance and management. Mr. Lee graduated from Purdue University in May 1991 with a bachelor of science in management. Mr. Lee obtained his master of business administration from the Sasin Graduate Institute of Business Administration (a joint program between the Kellogg School of management of Northwestern University, the Wharton School of the University of Pennsylvania, and Chulalongkorn University) in Bangkok in March 1993.

Mr. Lee completed the Director Certification Program, Advanced Audit Committee Program and Risk Management Program for Corporate Leaders, held by the Thai Institute of Directors in June 2012, November 2020 and November 2021 respectively. Mr. Lee also completed the CFO Orientation Course (financial and accounting preparation) held by the Stock Exchange of Thailand in March 2021. In 2014, Mr. Lee was awarded the 3rd Best Chief Financial Officer in Thailand by FinanceAsia's annual Best Managed Companies Poll.

Mr. Fok Wai Shun, Wilson, aged 50, was appointed as our independent non-executive Director on 24 April 2015. Mr. Fok has over 25 years of experience in the fields of accounting, investment banking, corporate development and finance.

Mr. Fok has been an independent non-executive Director of Pax Global Technology Limited (Hong Kong Stock code: 327) since May 2023.

Mr. Fok holds a double bachelor degree in commerce and in laws from the University of Melbourne. Mr. Fok was admitted as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1998 and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

Mr. Fok previously worked in the assurance and transaction services departments of PricewaterhouseCoopers from 2000 to 2004. From 2004 to 2010, Mr. Fok served in various positions at the investment banking division of Piper Jaffray Asia Limited. From 2010 to 2014, Mr. Fok served at the corporate finance division of CCB International Capital Limited where his last position was executive director. From 2015 to 2018, he was the managing director of Challenge Capital Management Limited. From 2018 to 2019 and 2021 to 2023, he was the managing director of Titan Financial Services Limited. From 2019 to 2020, he was the managing director, co-head, and head of IPO of the corporate finance department of Opus Financial Group. He served in Kum Shing Group as director of new venture and investment from July 2023 to August 2024 and as advisor from September 2024 to December 2024, where he was principally responsible for developing opportunities for new ventures and business models, as well as leading potential mergers and acquisitions, joint ventures, partnerships, strategic cooperation, and investment initiatives.

Senior Management

Mr. Yeung Tsz Kit, Alban, aged 47, was appointed as the chief financial officer, company secretary, member of the risk management committee and authorised representative of the Company on 31 December 2023.

Prior to joining the Company, Mr. Yeung had been working with a few companies listed on the Stock Exchange. He has over 19 years of extensive experience in the corporate secretarial, auditing, accounting and corporate finance and is currently a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Mr. Yeung is currently acting as the company secretary of China Sunshine Paper Holdings Company Limited, a company listed on the Stock Exchange (Stock code: 2002) Mr. Yeung received a Master of Corporate Governance from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2018 and a Bachelor of Commerce from University of New South Wales, Australia.

Corporate Governance Practices

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

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 the shareholders of the Company;

– 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.

The Board has committed to maintaining 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 and accountability, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Directors, throughout the year ended 31 December 2024, the Company has complied with all the code provisions as set out in the CG Code.

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.

The specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance with the Employees Written Guidelines by the relevant employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is 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.

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 so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board currently comprises eleven members, consisting of five executive Directors, two non-executive Directors, and four independent non-executive Directors. The executive Directors, non-executive Directors, and independent non-executive Directors during the year ended 31 December 2024 were as follows:

Executive Directors:
Mr. Choi Hung Nang *(Chairman of the Board and chairman of the Nomination Committee)*
Ms. Choi Kwan Li, Glendy
(Chief Executive Officer, chairman of the Risk Management Committee, and member of the Remuneration Committee)
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi *(Chief Operating Officer and member of the Risk Management Committee)*
Mr. Lao Kam Chi

Non-executive Directors:
Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-executive Directors:
Mr. O'Yang Wiley
(Chairman of the Audit Committee and member of the Remuneration Committee and Risk Management Committee)
Mr. Li Zongjin *(Member of the Audit Committee and Nomination Committee)*
Mr. Lee Wai Yat, Paco *(Member of the Audit Committee and Nomination Committee)*
Mr. Fok Wai Shun, Wilson
(Chairman of the Remuneration Committee and member of the Audit Committee and Risk Management Committee)

The biographical information of the Directors as well as the relationships between the members of the Board are set out under "Biographical Details of Directors and Senior Management" on pages 19 to 24 of this Annual Report.

Chairman and Chief Executive Officer

The positions of chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer") are held by Mr. Choi Hung Nang and Ms. Choi Kwan Li, Glendy respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors ("INEDs")

During the year ended 31 December 2024, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least 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 out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

As at the date of this Report, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of INEDs tenure to ensure that independent views and input are available to the Board.

Non-executive Directors and Directors' Re-election

Code provision B.2.2 of the CG Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021. Each of the non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine and Mr. O'Yang Wiley) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018, 27 May 2021 and 27 May 2024. Each of the Directors' appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the articles of association of the Company (the "Articles of Association") and the Listing Rules.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019 and 15 August 2022. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 and 1 May 2022. Both Mr. Fontaine and Mr. O'Yang's appointments are subject to termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

In addition, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions, and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including the non-executive Directors 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.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

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 a conflict of interests), financial information, the appointment of Directors, and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Mr. Choi Hung Nang (Chairman) is the father of Ms. Choi Kwan Li, Glendy (Chief Executive Officer) and Mr. Choi Hon Ting, Derek and the brother of the father-in-law of Mr. Liu Tom Jing-zhi. Apart from the aforesaid, there are no other financial, business, family or other material/relevant relationships among members of the Board.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive a comprehensive, formal, and tailored induction on the first occasion of his/her appointment to ensure an appropriate understanding of the business and operations of the Company and full awareness of the 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 to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, all Directors provided to the Company their training records. All Directors participated in continuous professional development exercised by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updated on the roles, functions, and duties of a listed company director. In addition, relevant reading materials including directors' manuals, legal and regulatory updates, and seminar handouts have been provided to the Directors for their reference and studying. The training attended by the Directors is in the areas of corporate governance, regulatory update, financial management, director's duties and responsibilities, environmental, social, and governance, business skills and knowledge, etc. The Company is of the view that all Directors have complied with code provision C.1.4 of the CG Code.

Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, and Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Save for the Risk Management Committee, the majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this Annual Report.

Audit Committee

The Audit Committee currently comprises four members, namely, Mr. O'Yang Wiley (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson (including at least one independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with the external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2024, the Audit Committee held two meetings to review annual financial results and report in respect of the year ended 31 December 2023, interim financial results and report in respect of the six months ended 30 June 2024, significant issues on the financial reporting and compliance procedures, the effectiveness of the internal control and risk management systems and internal audit function, the scope of work and appointment of the external auditor, arrangements for employees to raise concerns about possible improprieties and to discuss the audit plan for the year ended 31 December 2024 of the Company. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Fok Wai Shun, Wilson (Chairman) (independent non-executive Director), Ms. Choi Kwan Li, Glendy (executive Director), and Mr. O'Yang Wiley (independent non-executive Director).

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, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her remuneration.

During the year ended 31 December 2024, the Remuneration Committee held one meeting to make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Details of the remuneration of the senior management for the year ended 31 December 2024 are set out in Note 33 in the "Notes to the Consolidated Financial Statements" of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Choi Hung Nang (Chairman) (executive Director), Mr. Li Zongjin and Mr. Lee Wai Yat, Paco (independent non-executive Directors).

The principal duties of the Nomination Committee include reviewing the Board composition, the Company's board diversity policy (the "Board Diversity Policy") and the Company's director nomination policy (the "Director Nomination Policy"), 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, and assessing the independence of independent non-executive Directors.

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 is necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

During the year ended 31 December 2024, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diverse perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Risk Management Committee

The Risk Management Committee currently comprises five members, namely, Ms. Choi Kwan Li, Glendy (Chairman) (executive Director), Mr. Liu Tom Jing-zhi (executive Director), Mr. O'Yang Wiley, Mr. Fok Wai Shun, Wilson (independent non-executive Directors) and Mr. Chung Man Lai (chief financial officer).

The principal duties of the Risk Management Committee include reviewing and assessing the effectiveness of the Company's risk management system and discussing the risk management system with management to ensure that management has performed its duty to have an effective risk management system.

During the year ended 31 December 2024, the Risk Management Committee held four meetings to review and make recommendations on the adequacy and effectiveness of the Group's risk management and internal control system. The attendance records of the Risk Management Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of 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 several 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 diverse 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.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

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

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 of the date of this Annual Report:

Category	Female	Male
Board	9.1%	90.9%
Senior Management	0.0%	100.0%
Other employees	16.1%	83.9%
Overall workforce	15.8%	84.2%

The Board had targeted to achieve and had achieved at least 1 (9.1%) female Director and 52 (15.8%) female employees in the Group and considers such gender diversity to be satisfactory. The Board is committed to improving gender diversity in senior management. When the Company needs to appoint an additional senior manager in the future for catering to the needs of the Company's development, the Board will consider to appoint a female senior manager.

The Nomination Committee will continue to identify suitable female candidate(s) to develop a pipeline of potential successors for appointment to the Board on merit against objective criteria to maintain gender diversity in the Board.

Board Independence Evaluation

The Company has established its board independence evaluation mechanism (the "Board Independence Evaluation Mechanism") which sets out the processes and procedures to ensure a strong independent element on the Board as well as allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize 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 an annual review of its independence. A 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 year ended 31 December 2024, all Directors completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. A board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Director Nomination Policy

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

The Company has adopted the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of Directors 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.

The Director Nomination Policy sets out the factors 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 strategies;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, 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.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2024, there was no change in the composition of the Board.

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 code provision A.2.1 of the Part 2 of CG Code.

During the year ended 31 December 2024, the Board 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 with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board committee meetings and the annual general meeting of the Company held during the year ended 31 December 2024 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Annual General Meeting
Mr. Choi Hung Nang	5/5	–	–	1/1	–	1/1
Ms. Choi Kwan Li, Glendy	5/5	2/2	1/1	–	4/4	1/1
Mr. Choi Hon Ting, Derek	5/5	–	–	–	–	1/1
Mr. Liu Tom Jing-zhi	5/5	–	–	–	4/4	0/1
Mr. Lao Kam Chi	5/5	–	–	–	–	0/1
Mr. Chan Lewis	5/5	–	–	–	–	0/1
Mr. Alain Vincent Fontaine	5/5	–	–	–	–	1/1
Mr. O'Yang Wiley	5/5	2/2	1/1	–	4/4	1/1
Mr. Li Zongjin	5/5	2/2	–	1/1	–	0/1
Mr. Lee Wai Yat, Paco	5/5	2/2	–	1/1	–	0/1
Mr. Fok Wai Shun, Wilson	5/5	2/2	1/1	–	4/4	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

Directors' Responsibility in Respect of the Financial Statements

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 55 to 58 of this Annual Report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation, or dismissal of external auditors.

Auditor's Remuneration

An analysis of the fees charged by the external auditor of the Company, in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Service Category	Fees RMB'000
Audit Services	950
Non-audit services: Review on the Group's interim condensed consolidated financial information for the period ended 30 June 2024	300
	1,250

Risk Management and Internal Controls

Role of the Board

The Board acknowledges that it is responsible for reviewing the effectiveness of the risk management and internal control systems. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the risk management and internal control systems of the Group and considered them to be effective and adequate and did not note any material deviation during the year ended 31 December 2024. The management has confirmed to the Board, the Audit Committee, and the Risk Management Committee on the effectiveness of the risk management and internal control systems of the Company for the year ended 31 December 2024.

Framework of the Risk Management and Internal Control Systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Determines the business strategies and objectives of the Group and evaluates and determines the nature and extent of risks willing to take in order to achieve the Group's strategic objectives;
- Ensures the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees the design, implementation and monitoring of the risk management and internal control systems of the Group.

Audit Committee and Risk Management Committee

- Assist the Board to perform its duties in reviewing the Group's risk management and internal control systems;
- Oversee the Group's risk management and internal control systems on an on-going basis;
- Review the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
- Ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and
- Consider major findings on risk management and internal control matters, and report and make recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Gives prompt responses to, and follow up on the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and
- Provides confirmation to the Board, the Audit Committee and the Risk Management Committee on the effectiveness of the risk management and internal control systems.

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

All departments conducted internal control assessments regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided remediation plans, monitored the risk management progress, and reported to the Audit Committee, the Risk Management Committee and the Board on all findings and the effectiveness of the risk management and internal control systems.

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

Risk Identification:

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

Risk Assessment:

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

Risk Response:

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

Risk Monitoring and Reporting:

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

Internal Audit Function

The Group has its internal audit function to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2024. Such review is conducted annually. The scope of the review was previously determined and approved by the Audit Committee and the Risk Management Committee. Major findings and areas for improvement have been reported to the Audit Committee and the Risk Management Committee. All recommendations from the risk management and internal control review adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group, therefore, considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and those who deal with the Group to raise concerns, in confidence and anonymity, to the Audit Committee and the Board about possible improprieties in any matter relating to the Company. The identity of the whistleblower will be treated with the strictest confidence.

Anti-corruption Policy

The Company has in place the Anti-corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company and stakeholders to report any suspected corruption and bribery.

Disclosure Policy

The disclosure policy is in place to ensure potential inside information is being captured and confidentiality of such information is being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

Company Secretary

Mr. Yeung Tsz Kit, Alban who is also the chief financial officer of the Company, was appointed by the Board as the company secretary of the Company with effect from 31 December 2023. The role of the company secretary is to ensure good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing corporate governance practices. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. Yeung, pursuant to the content of which, the Company confirmed that Mr. Yeung had taken not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2024.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors. 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 Hong Kong Exchanges and Clearing Limited after each general meeting.

Procedure for shareholders to convene an extraordinary general meeting

Any one or more shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. This 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 do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals

Shareholders who wish to put forward proposals at general meetings of the Company may achieve so by means of convening an extraordinary general meeting in accordance with the procedures set out in the paragraph above.

Procedure for shareholders to propose a person for election as a Director at a general meeting

After the publication of the notice of a general meeting by the Company, according to Article 85 of the Articles of Association, if a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company wishes to propose a person (the "Candidate") for election as a Director at the general meeting, he/she shall deposit a written notice (the "Notice") at the Company's registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, its principal place of business in Hong Kong at 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the date after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

Procedure for putting forward enquiries

For enquiries about shareholdings, shareholders should direct their enquiries to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send an email to is-enquiries@hk.tricorglobal.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.

For enquiries about corporate governance or other matters to be put to the Board and the Company, the Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email: ir@dgtechnology.com, by fax: (852) 2541 9078, or mail: 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong.

Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors/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) will be available to meet shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.dgtechnology.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

There was no change in the Articles of Association during the year ended 31 December 2024. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders' Communication Policy

The Company has in place a Shareholder Communication Policy. The policy aims to promote effective communication between the Company, shareholders and other stakeholders, and enable shareholders to exercise their rights as shareholders effectively in an informed manner.

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

1. Means for shareholders to send enquiries to the Company's share registrar or the Company regarding their shareholdings, corporate governance or other matters
2. Corporate communications (e.g., annual report, interim report, circular, proxy form, etc.)
3. Announcements and other documents published pursuant to the Listing Rules
4. Corporate website (www.dgtechnology.com)
5. General meetings
6. Other investor relations communication platforms (e.g., investor/analyst's briefings, roadshows, media interviews, marketing activities for investors and specialist industry forums, etc.)

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consents unless required by law.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

Dividend Policy

The Company has adopted a dividend policy (the "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 this Annual Report.

Deed of Non-Competition Undertakings

As disclosed in the Company's prospectus (the "Prospectus") dated 14 May 2015, each of Prima DG Investment Holding Company Limited（翰名投資控股有限公司）, Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek, Controlling Shareholders (as defined in the Prospectus) of the Company, has entered into a deed of non-competition dated 6 May 2015 in favour of the Company (for itself and as trustee for its subsidiaries from time to time).

The Company has received a declaration made by the Controlling Shareholders in compliance with the deed of non-competition for the year ended 31 December 2024.

The independent non-executive Directors have conducted a review on the compliance and enforcement of the deed of non-competition by the Controlling Shareholders for the year ended 31 December 2024.

Compliance with the Sanctions Undertaking

As disclosed in the Prospectus, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from the global offering, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "Sanctions Undertaking"). To ensure compliance with the Sanctions Undertaking, the Company has ensured that separate books and records are in place to monitor the activities of the proceeds from the global offering.

During the year ended 31 December 2024, the internal control committee of the Company, which members are Mr. Yeung Tsz Kit, Alban (chief financial officer of the Company) and Ms. Ng Po Fung (assistant to the Chief Executive Officer), held a meeting to evaluate the Group from a sanctions risk perspective and to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, etc., would not violate the Sanctions Undertaking.

The Directors are pleased to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and its principal place of business in Hong Kong is 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong. The Group's principal place of business in the PRC is at No. 12 Yinghua Road, Yongqing Industrial Park, Yongqing County, Langfang City, Hebei Province, the PRC.

Principal Activities and Business Review

The principal activities of the Group are manufacturing, distribution, research and development and operating lease of asphalt mixing plants and other equipment and sales of spare parts and modified equipment. The principal activities and other particulars of the subsidiaries are set out in Note 15 to the consolidated financial statements. During the year, there was no significant change in the Group's principal activities.

Detailed business review, including further discussions of the risks and uncertainties facing the Group, likely future development of the Group's business, and analysis on the financial key performance indicators, are set out in the Chairman's Statement on pages 4 to 6 of this Annual Report and the Management Discussion and Analysis on pages 7 to 18 of this Annual Report. These discussions form part of this Report of the Directors.

Results and Dividends

The profit of the Group for the year ended 31 December 2024 and the state of affairs of the Company and the Group as at 31 December 2024 are set out in the audited consolidated financial statements on pages 59 to 120 of this Annual Report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024. (2023: Nil).

At a board meeting held on 23 May 2024, the directors of the Company recommended the payment of a special dividend of approximately HK$0.07 per ordinary share, totalling HK$43.9 million (equivalent to RMB39.9 million) for the year ended 31 December 2023. Following the approval of the relevant resolution of the Shareholders at the 2024 annual general meeting ("AGM") of the Company, the special dividend was paid to the Shareholders on 14 June 2024.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 3 of this Annual Report.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in Note 32 to the financial statements and the Consolidated Statement of Changes in Equity respectively.

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, leases and intangible assets) during the year are set out in Notes 12 to 14 to the consolidated financial statements.

Share Issued in the Year

Details of the movements in share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

Debentures Issued in the Year

No debentures were issued by the Company during the year ended 31 December 2024.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2024, the Company repurchased a total of 7,240,000 shares through the Stock Exchange, all of which have not yet been cancelled as follows:

Month of repurchases	No. of shares repurchased	Price per shares		Total consideration *(in HKD)*	Total consideration *(in RMB)*
		Highest *HK$*	Lowest *HK$*		
November	5,000,000	0.72	0.69	3,697,000	3,474,000
December	2,240,000	0.72	0.75	1,446,000	1,359,000

The Directors considered that as the Company's shares were trading at a significant discount to its net asset value per share, the repurchase would increase its net asset value per share.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

Major Customers and Suppliers

During the year ended 31 December 2024, aggregate sales to the Group's largest and five largest customers accounted for 8.6% (2023: 5.1%) and 22.5% (2023: 21.0%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Groups largest and five largest suppliers accounted for 3.6% (2023: 3.0%) and 12.7% (2023: 11.4%), respectively, of the Groups total purchases for the year ended 31 December 2024. Aggregate purchases from the Groups largest and five largest subcontractors accounted for 7.6% (2023: 5.7%) and 25.8% (2023: 19.7%), respectively, of the Groups total purchases for the year ended 31 December 2024.

At no time during the year have the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers, suppliers and subcontractors.

Relationship with Employees

The Group recognises employees as the most important asset of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

Directors

The Directors during the year ended 31 December 2024 and up to the date of this Annual Report were:

Executive Directors
Mr. Choi Hung Nang *(Chairman)*
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer)*
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi
Mr. Lao Kam Chi

Non-Executive Directors
Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-Executive Directors
Mr. O'Yang Wiley
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

The Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this Annual Report still considers them to be independent.

Pursuant to Article 84 of the Articles of Association, Mr. Choi Hung Nang, Mr. Choi Hon Ting, Derek, Mr. O'Yang Wiley and Mr. Fok Wai Shun, Wilson shall retire from the office by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out on pages 19 to 24 of this Annual Report.

Directors' Service Contracts

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021. Each of the non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine and Mr. O'Yang Wiley) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018, 27 May 2021 and 27 May 2024. Each of the Directors' appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019 and 15 August 2022. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 and renewed his service agreement with the Company for a further period of three years commencing from 1 May 2022. Both Mr. Fontaine's and Mr. O'Yang's appointments are subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than agreements expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

Details of the remuneration of the Directors are set out in Note 33 to the consolidated financial statements, which are recommended by the Remuneration Committee of the Company with reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares and underlying shares

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Long	Interest in controlled corporation[1]	345,696,000	54.07%
	Long	Beneficial owner[2]	57,236,000	8.95%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	4,150,000	0.65%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	4,150,000	0.65%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation[3]	13,500,000	2.11%
	Long	Interest of spouse[3]	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Lao Kam Chi	Long	Interest in controlled corporation[4]	9,000,000	1.41%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Chan Lewis	Long	Beneficial owner	300,000	0.05%
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	400,000	0.06%
Mr. Alain Vincent Fontaine	Long	Beneficial owner	293,113	0.05%

(ii) Interests in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Long/Short position	Type of interest	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Prima DG Investment Holding Company Limited ("Prima DG")	Long	Beneficial owner	40%
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	20%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	20%

Notes:

1. The 345,696,000 Shares were held by Prima DG, which is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

2. The 620,000 Shares previously held by Mr. Choi Hung Nang's spouse, Ms. Tin Suen Chu, have been transferred to Mr. Choi Hung Nang. Accordingly, Mr. Choi Hung Nang is now directly interested in these Shares by ownership.

3. The 13,500,000 Shares were held by Zacks Vroom Investment Company Limited, a company wholly-owned by Mr. Liu Tom Jing-zhi. The 150,000 Shares were held by his spouse, Ms. Thai Vanny. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in all the Shares in which Zacks Vroom Investment Company Limited and Ms. Thai Vanny are interested.

4. The 9,000,000 Shares were held by Denmike Investment Company Limited, a company wholly-owned by Mr. Lao Kam Chi. Accordingly, by virtue of the SFO, Mr. Lao is deemed to be interested in all the Shares in which Denmike Investment Company Limited is interested.

Save as disclosed above, as at 31 December 2024, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2024, so far as known to the Directors, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Prima DG[1]	Long	Beneficial owner	345,696,000	54.07%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	345,696,000	54.07%
	Long	Beneficial owner[(2)]	57,236,000	8.95%

Notes:

1. Prima DG directly held 345,696,000 Shares. Prima DG is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

2. The 620,000 Shares previously held by Mr. Choi Hung Nang's spouse, Ms. Tin Suen Chu, have been transferred to Mr. Choi Hung Nang. Accordingly, Mr. Choi Hung Nang is now directly interested in these Shares by ownership.

Save as disclosed above, as at 31 December 2024, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to the resolutions of all the shareholders passed on 6 May 2015 and shall be valid and effective for a period of 10 years commencing from 6 May 2015. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the employees and directors of the members of the Group and other selected participants.

The Board may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "Eligible Participants") upon the terms set out in the Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day"); and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme. HK$1.00 is payable by an Eligible Participant on acceptance of an offer of option. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme. There is no general requirement that an option must be held for any minimum period before it can be exercised.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the date on which the Shares were listed on the main board of the Stock Exchange on 27 May 2015 (the "Limit"), i.e. 60,000,000 Shares representing approximately 9.38% of the issued Shares as at the date of this Annual Report. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of the Group) will not be counted for the purpose of calculating the Limit. Subject to the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the Limit at any time provided that: (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit; (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the shareholders together with the notice of the relevant general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of the Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

On 5 June 2018 (the "Date of Grant"), options to subscribe for an aggregate of 23,100,000 Shares were granted to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on 5 June 2018 is HK$1.12 per share. The adjusted closing price of the Shares immediately before the Date of Grant was HK$1.12 per Share. There was no Eligible Participant with options granted in excess of the individual limit.

During the year ended 31 December 2024, none of the above share options was cancelled, exercised or has lapsed and no share option has been granted under the Share Option Scheme.

No share option expenses recognized during the period ended 31 December 2024 and 31 December 2023.

There is no outstanding exercisable share option as at 31 December 2024 and 31 December 2023.

The fair value of the share options granted on 20 April 2016 and 5 June 2018 were estimated as at that date by an independent firm of professionally qualified valuers using the binomial option pricing model and taking into account the terms and conditions upon which the options were granted.

The binomial option pricing model required input of subjective assumption such as the expected stock price volatility. Change in subjective input may materially affect the fair value estimates.

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' Interests in Competing Business

During the year ended 31 December 2024 and up to the date of this Annual Report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Management Contracts

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

Equity-linked Agreements

Save for the Share Option Scheme as mentioned above, the Company has not entered into any equity-linked agreements during the year ended 31 December 2024.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Rights to Acquire Shares or Debentures

Apart from the Share Option Scheme and the exercise of share options as mentioned above, at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company and any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2024, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2024 are set out in Note 31 to the consolidated financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Subsequent Events

Save as disclosed in this Annual Report, there were no significant subsequent events after the reporting period of the Group.

Sufficiency of Public Float

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

Auditor

The consolidated financial statements for the year ended 31 December 2024 of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Choi Hung Nang
Chairman

Hong Kong
28 March 2025

SUSTAINABILITY HIGHLIGHTS

With a strong commitment to sustainability, the Group continues to enhance its environmental strategy and performance, fostering a greener and more sustainable society. Under the theme "Promoting Green Road Construction, Accelerating the Journey to Carbon Neutrality," this Report highlights the Group's sustainability initiatives–from responsible corporate governance to environmentally conscious green operations–while reinforcing its dedication to stakeholder engagement and social responsibility. The Group's ongoing efforts have been recognized by various organizations, earning industry certifications that underscore our sustainability achievements.

To align with People's Republic of China ("China") carbon peak and neutrality goals and contribute to the national sustainability agenda, the Group has made low-carbon development and environmental protection key priorities in its technology and product research and development ("R&D"). Building on its established low-carbon targets and initiatives for 2022–2025, the Group has devised a comprehensive low-carbon action plan for 2025, which includes:

- Save energy consumption and reduce carbon emissions in all operational processes to achieve the company's 2025 phased low-carbon emission reduction targets.
- Strengthen the intelligence and digitalization of equipment in factories, replace machines and equipment with energy-efficient ones as appropriate, and use IoT and big data to achieve accurate emission reduction and energy-saving management.
- Strengthen production site management, improve operational efficiency while reducing energy consumption and pollutant emissions, and implement green production models.
- Provide training on low-carbon emission reduction and establish relevant regulations to promote a corporate culture of low-carbon practices.
- Actively promote environmental protection and renewable equipment businesses through various channels to advance sustainable urban development.

Environmental Targets

D&G has set carbon reduction targets to achieve carbon neutrality by 2050. In addition, D&G has established multiple environmental targets to promote sustainable development and gradually achieve energy saving and emission reduction goals by 2025 and 2030 respectively.

Table: Environmental Targets

Index	Base Year Emissions	**Target (by 2025 or before)**	Target (by 2030 or before)
Energy Intensity (MWh/RMB'M revenue)	24.41 (Year 2018)	**20.75 (Decrease by at least 15%)**	15.87 (Decrease by 35% or more)
Water Intensity (m^3/million RMB revenue)	69.90 (Year 2018)	**59.37 (Decrease by at least 15%)**	48.51 (Decrease by 30% or more)
Air Emission Intensity (tonnes/RMB'M revenue)	0.0053 (Year 2018)	**0.0045 (Decrease by at least 15%)**	0.0034 (Decrease by 35% or more)
Carbon Intensity (tonnes of CO_2e/RMB'M revenue)	15.09 (Year 2018)	**12.83 (Decrease by at least 15%)**	9.81 (Decrease by at least 35%)
Hazardous Waste Intensity (tonnes/RMB'M revenue)	0.243 (Year 2020) (Note)	**0.207 (Decrease by at least 15%)**	0.158 (Decrease by at least 35%)

Note: The original plan was to purchase a substantial set of catalytic combustion equipment for epoxy booths in 2023. It is estimated that an additional 45 tonnes of hazardous waste will be generated annually due to equipment operation. Therefore, the peak value of hazardous waste intensity is taken as the highest value in the past five years, which is 0.243 in 2020.

The sustainability performance is highlighted as follows:

Safe Production

- ISO 45001:2018 Occupational Health and Safety Management System certification
- Zero work fatality rate for 9 consecutive years

Innovative and Green Manufacturing

- Phase out high-energy-consuming air compressors and switch to energy-saving air compressors to reduce electricity consumption.
- Replace high-energy-consuming plasma cutting machines with laser cutting machines to save electricity and enhance production efficiency.
- Install industrial fans in workshops and warehouses to replace high-power axial fans, saving electricity, reducing noise emissions, and improving the working environment.
- Replace heating pipeline valves in workshops and dormitories with adjustable energy-saving valves to reduce natural gas usage in boilers.
- Save 6 tons of steel per unit for recycled support structures through design improvements and retrofitting.
- Complete energy management system certification and achieve provincial-level green factory certification in Hebei.

Staff Training

- 157 training topics – 57.5 hours of occupational health and safety training, 236.5 hours of professional knowledge training, and 153.5 hours of management and operations training, including 29 hours of training on carbon peak, carbon neutrality goals, and environmental awareness knowledge.

Patents and Copyrights

- 257 registered patents – 15 invention patents, 7 design patents, and 235 utility model patents.
- 30 software copyrights.

Environmental Performance

- 5.60 tons of carbon dioxide equivalent (tCO_2e/RMB'M) generated per million RMB of revenue.
- 100% of waste recycled and reused.
- 13.50 megawatt-hours of energy consumed per million RMB of revenue (MWh/RMB'M).
- Electric vehicles replaced fuel-powered vehicles for approximately 30,000 kilometers, saving around 14,000 RMB in energy costs.
- Generated approximately 1,000,000 kilowatt-hours of electricity through photovoltaic power generation, with about 820,000 kilowatt-hours used for self-consumption.
- Replaced the original high-energy-consuming boiler with an energy-efficient boiler, saving natural gas (energy-saving data for the first usage cycle is currently unavailable).

Recognition and Awards

Month	Award	Organiser/Organisation
2024/3	2023-2024 Outstanding Intelligent Equipment Manufacturing Enterprise	Asphalt Pavement Maintenance Technology Forum Organizing Committee
2024/3	2023 Public Welfare and Caring Enterprise	Asphalt Pavement Division Sichuan Provincial Construction Industry Association
2024/3	Energy Management System Certificate	Fangyuan Mark Certification Group
2024/3	2023 Outstanding Executive Member Unit	Equipment Manufacturing Industry Association of Hebei Province
2024/5	Caring Company 2023/24	Hong Kong Council of Social Service (HKCSS)
2024/7	United Nations Sustainable Development Goals Hong Kong Achievement Awards 2024 – Outstanding Performance in Sustainable Development Organizations	Green Council
2024/8	Bank of China (Hong Kong) Enterprise Low-Carbon Environmental Leadership Awards 2023 – Environmental Excellence	Bank of China (Hong Kong), Federation of Hong Kong Industries
2024/6	Bank of China (Hong Kong) Enterprise Low-Carbon Environmental Leadership Awards 2023 – 8 Years+ Environmental Pioneer	Bank of China (Hong Kong), Federation of Hong Kong Industries
2024/9	Industry Cares Recognition Scheme 2024 – Caring Certificate (6 years + Awards)	Federation of Hong Kong Industries
2024/11	Hebei Provincial Green Factory	Hebei Provincial Department of Industry and Information Technology
2024/11	The PLUS50 Chinese construction machinery manufacturers	T50 Summit of World Construction Machinery Industry/Chinese Mechanical Engineering Society
2024/11	Global Top 50 Construction Machinery Manufacturers	T50 Summit of World Construction Machinery Industry/Chinese Mechanical Engineering Society

Month	Award	Organiser/Organisation
2024/11	China Construction Machinery – Mixing Equipment User Reputation Award	T50 Summit of World Construction Machinery Industry/Chinese Mechanical Engineering Society
2024/11	China Construction Machinery – Mixing Equipment Annual Service Brand	T50 Summit of World Construction Machinery Industry/Chinese Mechanical Engineering Society
2024/12	Road Top 10 Brands in China's Road Equipment Sector	T50 Summit of World Construction Machinery Industry/Chinese Mechanical Engineering Society
2024/12	Top 10 Green Design Works	7th CHINA INTERNATIONAL INDUSTRIAL DESIGN EXPO
2024/12	Hong Kong Green Awards 2024 – Corporate Green Governance Award (Corporate Vision)	Green Council
2024/12	Hong Kong Green Awards 2024 – Sustainable Performance (9 Years+)	Green Council
2024/12	Outstanding Engineering Machinery Equipment Production and Supply Enterprise	Asphalt Concrete Supply Chain Association

The full Sustainability Report shall be published on the Group's website within five months after the financial year-end date.

TO THE SHAREHOLDERS OF D&G TECHNOLOGY HOLDING COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 120, which comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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.

Key Audit Matters

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

The key audit matter identified in our audit is related to provision for slow-moving inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for slow-moving inventories	
Refer to Note 4(a) Provision for slow-moving inventories and Note 19 Inventories to the consolidated financial statements At 31 December 2024, the carrying value, net of provision, of the Group's inventories amounted to RMB213 million, which represented approximately 29% of the Group's total assets. The cost of inventories may not be recoverable if they are aged and damaged, or become obsolete, or if their selling prices have declined. Management applied a provision methodology for slow-moving inventories based on inventory ageing profiles, historical utilisation rates and committed sales orders and made provision for long aged inventories and inventories identified as not utilisable. We focused on this area due to the magnitude of the inventory balances to the financial position of the Group. Significant judgements and estimations are involved in determining the adequacy of provision for slow-moving inventories.	Our procedures in relation to inventories included: • Understood, evaluated and validated the control procedures performed by management, including its periodic review on inventory obsolescence and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Observed management's inventory counts to identify whether there are any damaged or obsolete inventories; • Tested on a sample basis the accuracy of the ageing profile of individual inventory item by checking to the relevant good receipt documents; • We evaluated the outcome of prior period assessment of inventories provision to assess the effectiveness of management's estimation process; • Evaluated management's basis for the inventory provision, the appropriateness of management's provision methodology and the outcome of management's estimations, analysis made by management and methodology applied to identify inventories that were not usable; and • Tested on a sample basis the usage or sales of inventory items, obtained through the usage or sales reports as a basis to identify inventory obsolescence. We discussed with management their assessment on the utilisation plan, corroborated explanations with the inventory ageing, sales orders and marketability of the finished goods. Based on the work performed, we found that management's assessment on provision for slow-moving inventories as at 31 December 2024 is supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report 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 the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 Lee Chun Wah, Ryan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Revenue	5	**370,559**	277,861
Cost of sales	7	**(246,682)**	(192,597)
Gross profit		**123,877**	85,264
Other income and other (losses)/gains, net	6	**169**	7,509
Distribution costs	7	**(72,310)**	(73,240)
Administrative expenses	7	**(66,106)**	(63,211)
Net reversal of provision for impairment losses on financial assets	7	**8,749**	11,299
Operating loss		**(5,621)**	(32,379)
Finance income, net	9	**10,164**	10,552
Share of profit of an associate	16	**1,816**	1,997
Profit/(loss) before income tax		**6,359**	(19,830)
Income tax expense	10	**(1,946)**	(4,034)
Profit/(loss) attributable to owners of the Company for the year		**4,413**	(23,864)
Profit/(loss) per share attributable to owners of the Company for the year			
– basic (RMB cents)	11	**0.69**	(3.73)
– diluted (RMB cents)	11	**0.69**	(3.73)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit/(loss) for the year	**4,413**	(23,864)
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	**2,075**	1,651
Other comprehensive income for the year, net of tax	**2,075**	1,651
Total comprehensive income/(loss) attributable to owners of the Company for the year	**6,488**	(22,213)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**100,080**	103,582
Intangible assets	14	**1,485**	2,147
Investment in an associate	16	**64,072**	62,256
Deferred tax assets	25	**11,094**	12,258
Total non-current assets		**176,731**	180,243
Current assets			
Inventories	19	**212,960**	211,933
Trade and bills receivables	20	**169,189**	96,557
Prepayments, deposits and other receivables	21	**108,198**	84,355
Income tax recoverable		**2**	–
Financial asset at fair value through profit or loss	18	**–**	19,760
Pledged bank deposits	22	**21,672**	22,625
Cash and cash equivalents	22	**48,926**	161,654
Total current assets		**560,947**	596,884
Total assets		**737,678**	777,127
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**5,059**	5,059
Other reserves		**524,856**	566,946
Retained earnings		**35,364**	31,517
Total equity		**565,279**	603,522

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	**338**	661
Deferred tax liabilities	25	**4,500**	4,500
Total non-current liabilities		**4,838**	5,161
Current liabilities			
Borrowings	23	**–**	909
Trade and other payables	24	**125,302**	106,370
Contract liabilities	24	**41,320**	58,165
Lease liabilities	13	**939**	899
Income tax payable		**–**	2,101
Total current liabilities		**167,561**	168,444
Total liabilities		**172,399**	173,605
Total equity and liabilities		**737,678**	777,127

The consolidated financial statements on pages 59 to 120 were approved by the Board of Directors on 28 March 2025 and signed on its behalf.

Choi Hung Nang
Director

Choi Kwan Li, Glendy
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2023	5,059	427,134	–	65,290	13,339	46,900	25,971	42,042	625,735
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(23,864)	(23,864)
Other comprehensive income:									
Currency translation differences	–	–	–	–	–	–	1,651	–	1,651
Total comprehensive loss	–	–	–	–	–	–	1,651	(23,864)	(22,213)
Transactions with owners in their capacity as owners									
Transfer to retained earnings in relation to share option scheme	–	–	–	–	(13,339)	–	–	13,339	–
Total transactions with owners	–	–	–	–	(13,339)	–	–	13,339	–
Balance at 31 December 2023	5,059	427,134	–	65,290	–	46,900	27,622	31,517	603,522
Balance at 1 January 2024	**5,059**	**427,134**	**–**	**65,290**	**–**	**46,900**	**27,622**	**31,517**	**603,522**
Comprehensive income:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,413**	**4,413**
Other comprehensive income:									
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**2,075**	**–**	**2,075**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**2,075**	**4,413**	**6,488**
Transactions with owners in their capacity as owners									
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**566**	**–**	**(566)**	**–**
Purchase of own shares	**–**	**–**	**(4,833)**	**–**	**–**	**–**	**–**	**–**	**(4,833)**
Dividend paid	**–**	**(39,898)**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,898)**
Total transactions with owners	**–**	**(39,898)**	**(4,833)**	**–**	**–**	**566**	**–**	**(566)**	**(44,731)**
Balance at 31 December 2024	**5,059**	**387,236**	**(4,833)**	**65,290**	**–**	**47,466**	**29,697**	**35,364**	**565,279**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash used in operations	29(a)	**(84,665)**	(52,815)
Income tax (paid)/refund		**(2,885)**	670
Net cash used in operating activities		**(87,550)**	(52,145)
Cash flows from investing activities			
Payments for purchases of intangible assets	14	**(145)**	–
Payments for purchases of property, plant and equipment		**(1,724)**	(839)
Proceeds from disposal of property, plant and equipment	29(c)	**84**	266
Proceeds from disposal of non-current assets classified as assets held for sale		**–**	2,402
Proceeds from redemption of financial assets at fair value through profit or loss	18	**20,000**	–
Interest received	9	**3,507**	4,301
Net cash generated from investing activities		**21,722**	6,130
Cash flows from financing activities			
Proceeds from borrowings	29(b)	**–**	4,520
Repayments of borrowings	29(b)	**(921)**	(15,377)
Principal elements of lease liabilities	29(b)	**(1,436)**	(1,680)
(Addition of)/release of restricted bank deposits		**(329)**	20,187
Payment for share repurchase	26(b)	**(4,833)**	–
Dividend paid	28	**(39,898)**	–
Interest paid	9	**(162)**	(510)
Net cash (used in)/generated from financing activities		**(47,579)**	7,140
Net decrease in cash and cash equivalents		**(113,407)**	(38,875)
Cash and cash equivalents at beginning of the year		**161,654**	199,942
Exchange gain on cash and cash equivalents		**679**	587
Cash and cash equivalents at end of the year	22	**48,926**	161,654

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

D&G Technology Holding Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing, distribution, research and development of asphalt mixing plants, other asphalt specialty equipment and sales of spare parts and modified equipment.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- Financial asset at fair value through profit or loss

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the above new and amended standards and interpretations did not have any significant financial impact on these consolidated financial statements.

2 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

Certain amended standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management is in the process of assessing potential impact of the above amended standards and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether these amended standards and interpretations will have a significant impact on the Group's results of operations and financial position.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and the business environment of the industry in which the Group operates, and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to RMB, Hong Kong Dollars ("HK$"), United States Dollars ("USD"), Euro ("EUR"), Pakistani Rupees ("PKR") and Singapore Dollars ("SGD"). Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

As at 31 December 2024, certain RMB denominated cash and bank deposits were held by Hong Kong group entities, the functional currency of which is HK$ (2023: Same). If RMB had strengthened/weakened by 5% (2023: 5%) against HK$ with all other variables held constant, the post-tax profit for the year would have been RMB80,000 lower/higher (2023: RMB326,000), mainly as a result of foreign exchange gains/losses on these RMB denominated cash and deposits.

The currency risk on assets and liabilities denominated in USD which were mainly held by Hong Kong group entities, the functional currency of which is HK$, is considered to be minimal as HK$ is currently pegged to USD (2023: Same).

The currency risk on assets and liabilities denominated in EUR, PKR and SGD is considered to be minimal as the Group had limited EUR, PKR and SGD denominated assets and liabilities (2023: Same).

The currency risk on assets and liabilities denominated in HK$ which were held by People Republic of China ("PRC" or "Mainland China") group companies, the functional currency of which is RMB, is considered to be minimal as these group companies had limited HK$denominated assets and liabilities (2023: Same).

Exchange reserve is resulted from the translation of financial positions of entities with functional currency. The Group is primarily exposed to HK$/RMB exchange rates. The sensitivity of exchange rate of HK$ is as follows:

	2024 RMB'000	2023 RMB'000
Exchange rate of HK$ against RMB		
– strengthened by 3% (2023: 3%)	**2,318**	1,334
– weakened by 3% (2023: 3%)	**(2,318)**	(1,334)

(ii) Cash flow interest rate risk

As at 31 December 2023, all bank borrowings of the Group were at floating rates. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2023, if interest rates on borrowings had been 100 basis points higher/lower, with all other variables held constant, post-tax loss for the year would have been RMB2,000 higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables and other receivables.

The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected credit risk characteristic in their impairment assessments.

The credit quality of the customers is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit history.

As at 31 December 2024, the top 5 trade receivable balances account for 34% (2023: 35%) of the Group's total year end gross trade receivable balances.

Impairment of financial assets

The Group has the following of financial assets that are subject to HKFRS 9's expected credit loss model:

- Trade and bills receivables
- Other receivables and deposits excluding prepayments, deferred expenses in relation to value-added tax receivables
- Pledged bank deposits and cash and cash equivalents

While cash and cash equivalents and pledged bank deposits are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and days past due and collectively assessed for likelihood of recovery, taking into account the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has identified the Consumer Price Index, the Purchasing Managers' Index, and other relevant factors, and accordingly adjusts historical loss rates based on expected changes in these factors.

The following table presents the balances of gross carrying amounts and the loss allowance in respect of trade receivables assessed on individual and collective basis as at 31 December 2024 and 2023:

	Gross carrying amount RMB'000	Weighted average expected credit loss rates	Loss allowance RMB'000
As at 31 December 2024			
Individual basis	**36,085**	**100%**	**36,085**
Collective basis			
Within 1 year	**147,779**	**1%**	**1,192**
1 to 2 years	**19,022**	**4%**	**816**
2 to 3 years	**3,282**	**29%**	**966**
Over 3 years	**24,581**	**100%**	**24,581**
	230,749		**63,640**
As at 31 December 2023			
Individual basis	44,401	100%	44,401
Collective basis			
Within 1 year	94,862	1%	779
1 to 2 years	3,878	33%	1,289
2 to 3 years	2,258	47%	1,069
Over 3 years	24,851	100%	24,851
	170,250		72,389

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

The changes in loss allowances for all trade receivables are set out as follows:

	2024 **RMB'000**	2023 RMB'000
Opening loss allowance as at 1 January	**72,389**	83,688
Decrease in loss allowance recognised in consolidated statement of profit or loss during the year	**(8,749)**	(11,299)
At 31 December	**63,640**	72,389

The movements of impairment losses on trade receivables are presented as net reversal of provision for impairment losses on financial assets within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

For other financial assets at amortised cost including deposits, other receivables and bills receivables, management considers that their credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The credit risk on these financial assets is assessed by management to be immaterial (2023: Same) after considering the financial conditions of these entities. Accordingly, the impairment provision is determined based on the 12-month expected credit loss which is minimal. As at 31 December 2024 and 2023, substantially all of the Group's bank balances are deposited in major financial institutions located in the Mainland China and Hong Kong. Management does not expect any losses from non-performance by these banks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by the Group over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the date of the consolidated statement of financial position) and the earliest date the Group can be required to pay.

	At 31 December 2024 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Carrying amount on consolidated statement of financial position RMB'000
Lease liabilities	**1,007**	**362**	**1,369**	**1,277**
Trade and other payables (Note)	**120,097**	**–**	**120,097**	**120,097**
	121,104	**362**	**121,466**	**121,374**

	At 31 December 2023 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Carrying amount on consolidated statement of financial position RMB'000
Borrowings	962	–	962	909
Lease liabilities	952	698	1,650	1,560
Trade and other payables (Note)	102,985	–	102,985	102,985
	104,899	698	105,597	105,454

Note: The balance presented above excludes accrued salaries, contract liabilities and other provisions.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarises the maturity analysis of the Group's bank loans with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements.

	2024 **RMB'000**	2023 RMB'000
Within 1 year	**–**	909

Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Executive Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year and on the basis of its gearing ratio. This ratio is calculated as total borrowings divided by total equity attributable to the owners of the Company. The gearing ratio as at 31 December 2024 and 31 December 2023 are as follows:

	2024 **RMB'000**	2023 RMB'000
Borrowings (Note 23)	**–**	909
Total equity	**565,279**	603,522
Gearing ratio	**N/A**	0.2%

3.3 Fair value estimation

The directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements of the Group's financial assets at fair value through profit or loss.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation for financial instruments that are measured at fair value on a recurring basis. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). The directors of the Company and the senior management team work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

As at 31 December 2023, the Group only had a financial asset at fair value through profit or loss measured in Level 3. There were no transfers among the three levels during either of the years ended 31 December 2024 and 2023. For the details of the fair value measurement of the financial asset at fair value through profit or loss, please refer to Note 18.

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities including trade and bills receivables, prepayments, deposits and other receivables, amount due from an associate, cash and cash equivalents, pledged bank deposits, trade and other payables, lease liabilities and borrowings approximate their fair values.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2024 and 2023.

4 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for slow-moving inventories

The Group estimates the provision for inventory based on inventory ageing profiles, historical inventory utilisation rates and committed sales orders and made provision for slow-moving inventories. Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provision for inventory in the years in which such estimates have been changed.

(b) Recoverability of trade receivables

Provision for expected credit losses is made when the Group will not collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgment has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

4 Critical accounting estimates and judgments (Continued)

(c) Current and deferred income tax provision

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

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the period in which such estimates have been changed.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions.

The executive directors of the Company have determined that the Group only has one major operating segment which is the sales of asphalt mixing plants, spare parts, other asphalt specialty equipment and modified equipment.

Revenue consists of the following:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	**274,850**	184,044
Sales of spare parts and modified equipment	**53,657**	69,898
Sales of other asphalt specialty equipment	**42,052**	23,919
	370,559	277,861

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers recognised – at a point in time	**370,559**	277,861

5 Segment information (Continued)

(a) Revenue from external customers by country

	2024 RMB'000	2023 RMB'000
Mainland China	301,575	200,158
Outside Mainland China	68,984	77,703
	370,559	277,861

(b) Non-current assets

The geographical location of the non-current assets, excluding deferred tax assets, based on the physical location of the assets is analysed as follows:

	2024 RMB'000	2023 RMB'000
Mainland China	112,580	122,444
Outside Mainland China	53,057	45,541
	165,637	167,985

(c) Information about major customer

No customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2024 and 2023.

(d) Contract liabilities

The Group recognised the following revenue related contract liabilities as at 31 December 2024:

	2024 RMB'000	2023 RMB'000
Contract liabilities	41,320	58,165

(i) Significant change in contract liabilities

Contract liabilities of the Group mainly represent the advance payments made by customers while the underlying goods or services are yet to be delivered. Contract liabilities decreased as a result of the fluctuation in sales orders with advance payments.

(ii) Unsatisfied performance obligations

During the year ended 31 December 2024, except for RMB28,356,000 (2023: RMB13,414,000) that has not been recognised as revenue, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(iii) Assets recognised from incremental costs to obtain a contract

As at 31 December 2024, no contract assets was recognised (2023: Same).

5 Segment information (Continued)

(e) Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods or rendering of services in the ordinary course of the Group's activity.

Revenue is recognised when or as the control of the good or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset that an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below:

(i) Sale of goods

The Group manufactures and sells asphalts mixing plants, spare parts, modified equipment, bitumen, bitumen tanks and equipment. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to and installed at the customers' premises and accepted by the customers, the customers have full discretion over the channel and price to sell the products and the use of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Accordingly, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered to and accepted by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Financing components

The Group adjusts the transaction prices at initial recognition for the time value of money in respect of certain sales of asphalts mixing plants as the Group expects that the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. The Group does not adjust the transaction prices for the time value of money in respect of other sale transactions as the Group does not expect the collection of related trade receivables exceeds one year.

6 Other income and other (losses)/gains, net

	2024 RMB'000	2023 RMB'000
Other income		
Government grants (Note)	**1,257**	4,612
Other (losses)/gains, net		
Fair value gain on a financial asset at fair value through profit or loss	**240**	720
Interest income from a financial asset at fair value through profit or loss, net of tax	**409**	1,132
Gain on disposal of non-current asset classified as asset held for sale, net of tax	**–**	558
(Loss)/gain on disposal of property, plant and equipment	**(315)**	261
Net foreign exchange loss	**(1,957)**	(99)
Others	**535**	325
	(1,088)	2,897
	169	7,509

Note:

The amount mainly represents operating subsidies. There were no unfulfilled conditions or other contingencies attached to these grants.

Government grant relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

7 Expenses by nature

	2024 **RMB'000**	2023 RMB'000
Cost of inventories (Note 19)	**240,871**	175,212
Freight and transportation expenses	**8,827**	15,915
Employee benefit expenses (including directors' emoluments) (Note 8)	**69,026**	73,520
Depreciation and amortisation (Notes 12 to 14)		
– Property, plant and equipment	**7,597**	8,774
– Intangible assets	**812**	838
Net reversal of provision for impairment losses on trade receivables (Note 3.1(b))	**(8,749)**	(11,299)
(Reversal of provision for)/provision for impairment of inventories, net (Note 19)	**(2,727)**	1,973
Commission to distributors	**13,223**	13,007
Travelling expenses	**7,371**	6,800
Marketing expenses	**4,470**	5,673
Repair and maintenance expenses	**8,134**	7,285
Legal and professional fee	**9,120**	7,468
Auditor's remunerations		
– Audit services	**950**	950
– Non-audit services	**300**	300
Other expenses	**17,124**	11,333
Total cost of sales, distribution costs, administrative expenses and net reversal of provision for impairment losses on financial assets	**376,349**	317,749

8 Employee benefit expenses (including directors' emoluments)

(a) Employee benefit expenses during the year are as follows:

	2024 RMB'000	2023 RMB'000
Wages, salaries and allowances	**57,278**	61,865
Pension costs – defined contribution plans (Note)	**11,748**	11,655
	69,026	73,520

Note:

Employees of the Group's Mainland China subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government (the "PRC Pension Scheme"). The Group's Mainland China subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its 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.

Contributions to the MPF Scheme and the PRC Pension Scheme vest immediately. During the years ended 31 December 2024 and 2023, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2024 and 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

(b) Five highest paid individuals

During the years ended 31 December 2024 and 2023, the five individuals whose emoluments were the highest in the Group for the year included five directors whose emoluments are reflected in the analysis shown in Note 33.

9 Finance income, net

	2024 RMB'000	2023 RMB'000
Finance cost		
Interest expenses on bank borrowings	**(162)**	(510)
Interest expenses on lease liabilities	**(93)**	(91)
	(255)	(601)
Finance income		
Interest income on bank deposits	**3,507**	4,301
Unwinding discount interest on trade receivables not expected to be settled within one year	**6,912**	6,852
	10,419	11,153
Finance income, net	**10,164**	10,552

10 Income tax expense

(a) Income tax expense

	2024 RMB'000	2023 RMB'000
Current income tax:		
– PRC corporate income tax	**648**	1,958
– Under/(over) provision in prior years	**134**	(84)
	782	1,874
Deferred income tax (Note 25)	**1,164**	2,160
	1,946	4,034

10 Income tax expense (Continued)

(b) Reconciliation of tax expense and the accounting profit/(loss) before income tax multiplied by domestic tax rate for 2024 and 2023

	2024 RMB'000	2023 RMB'000
Profit/(loss) before income tax	**6,359**	(19,830)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to the jurisdictions concerned (i)	**2,477**	(7,363)
Effect of preferential tax rate (ii)	**919**	5,248
Tax losses and other temporary differences for which no deferred tax asset was recognised	**2,797**	7,223
Income not subject to tax	**(2,649)**	(771)
Additional deduction for qualified research and development expenses (iii)	**(2,350)**	(2,319)
Withholding tax in respect of dividend declared by the subsidiaries in Mainland China (iv)	**618**	2,100
Under/(over) provision in prior years	**134**	(84)
	1,946	4,034

The change in weighted average applicable tax rates is mainly caused by a change in mix of profit/(loss) of different group companies which are subject to different tax rates.

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax for the subsidiaries incorporated or operated in Hong Kong was made as the subsidiaries did not have assessable profits subject to Hong Kong profits tax (2023: Nil).

No provision for Singapore and Pakistan income tax was made for the subsidiaries incorporated in these countries, as the subsidiaries did not have assessable profits subject to Singapore and Pakistan income tax (2023: Nil).

The Group's Mainland China subsidiaries are subject to PRC corporate income tax rate of 25% (2023: 25%).

10 Income tax expense (Continued)

(b) Reconciliation of tax expense and the accounting profit/(loss) before income tax multiplied by domestic tax rate for 2024 and 2023 (Continued)

(ii) A wholly-owned subsidiary of the Company, Langfang D&G Machinery Technology Company Limited ("Langfang D&G"), is qualified as a "high new technology enterprise" under the PRC corporate income tax law and relevant regulations and it is entitled to a preferential income tax rate of 15% (2023: 15%).

(iii) Under the PRC corporate income tax law and relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenses.

(iv) The withholding tax rate was 5% on the remittance of dividends from the subsidiaries in the Mainland China during the year and unremitted earnings of the subsidiaries.

11 Profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit/(loss) attributable to owners of the Company and on the weighted average number of ordinary shares in issue during the year.

	2024	2023
Profit/(loss) attributable to owners of the Company (RMB'000)	**4,413**	(23,864)
Weighted average number of ordinary shares in issue excluding treasury shares	**638,800,142**	639,408,000
Basic profit/(loss) per share (expressed in RMB cents per share)	**0.69**	(3.73)

For the years ended 31 December 2024 and 2023, diluted profit/(loss) per share is the same as basic profit/(loss) per share as there were no potential dilutive shares.

12 Property, plant and equipment

	Leasehold land RMB'000	Land use right RMB'000	Leased properties RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2024										
Opening net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582
Additions	–	–	1,073	–	673	550	44	457	–	2,797
Disposals	–	–	–	(46)	–	(281)	(9)	(63)	–	(399)
Early termination of lease	–	–	(38)	–	–	–	–	–	–	(38)
Depreciation charge for the year	(59)	(131)	(1,233)	(3,480)	(426)	(1,715)	(275)	(278)	–	(7,597)
Exchange differences	1,618	–	14	88	–	–	13	2	–	1,735
Closing net book amount	49,313	4,180	889	40,618	1,604	1,299	606	1,516	55	100,080
At 31 December 2024										
Cost	49,786	6,533	4,173	80,749	4,692	28,955	2,027	8,486	55	185,456
Accumulated depreciation and impairment	(473)	(2,353)	(3,284)	(40,131)	(3,088)	(27,656)	(1,421)	(6,970)	–	(85,376)
Net book amount	49,313	4,180	889	40,618	1,604	1,299	606	1,516	55	100,080

	Leasehold land RMB'000	Land use right RMB'000	Leased properties RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023										
Opening net book amount	46,524	4,442	2,249	47,498	2,045	4,133	460	1,662	410	109,423
Additions	–	–	349	–	–	410	513	98	269	1,639
Disposals	–	–	–	–	–	–	–	(5)	–	(5)
Transfers	–	–	–	–	–	535	–	–	(535)	–
Transfers to intangible assets	–	–	–	–	–	–	–	–	(89)	(89)
Depreciation charge for the year	(58)	(131)	(1,537)	(3,520)	(694)	(2,333)	(142)	(359)	–	(8,774)
Exchange differences	1,288	–	12	78	6	–	2	2	–	1,388
Closing net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582
At 31 December 2023										
Cost	48,153	6,533	4,486	80,827	3,953	28,818	2,030	8,173	55	183,028
Accumulated depreciation and impairment	(399)	(2,222)	(3,413)	(36,771)	(2,596)	(26,073)	(1,197)	(6,775)	–	(79,446)
Net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582

12 Property, plant and equipment (Continued)

Depreciation expenses amounted to RMB7,597,000 (2023: RMB8,774,000) were charged to the consolidated statement of profit or loss during the year ended 31 December 2024.

As at 31 December 2024, leasehold land, land use right and leased properties amounted to RMB49,313,000, RMB4,180,000 and RMB889,000 (2023: RMB47,754,000, RMB4,311,000 and RMB1,073,000), respectively, represented right-of-use assets of the Group upon adoption of HKFRS 16.

As at 31 December 2024, buildings and land use right with net book amount of RMB24,749,000 (2023: RMB27,650,000) and RMB4,180,000 (2023: RMB4,311,000) respectively were pledged as security for bills payables (Notes 24(ii)).

Land use right with net book amount of RMB4,180,000 (2023: RMB4,311,000) represented pieces of land located in the Mainland China with lease periods of 50 years expiring in 2056.

As at 31 December 2023, leasehold land with a net book amount of RMB36,836,000 was pledged as security for bank loans (Note 23).

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and land use right, the shorter lease term as follows:

Buildings	10 – 20 years
Leasehold improvements	over the shorter of the lease term or 5 years
Machinery	3 – 10 years
Office equipment and furniture	4 – 10 years
Motor vehicles	5 years
Land use right	over the shorter of the lease term or 50 years
Leasehold land	over the lease term

See Note 34.5 for the other accounting policies relevant to property, plant and equipment.

13 Leases

This note provides information for leases where the Group is a lessee.

The Group leases various offices primarily located in Mainland China and Hong Kong. Rental contracts are typically made for fixed periods of 2 to 5 years.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2024 RMB'000	2023 RMB'000
Right-of-use assets (included in property, plant and equipment (Note 12))		
Land use right (Note)	**4,180**	4,311
Leasehold land (Note)	**49,313**	47,754
Leased properties	**889**	1,073
	54,382	53,138
Lease liabilities		
Current	**939**	899
Non-current	**338**	661
	1,277	1,560

Note:

The Group has land lease arrangements in the Mainland China and leasehold land in Hong Kong.

Additions to the right-of-use assets during the year ended 31 December 2024 were RMB1,073,000 (2023: RMB800,000) (Note 29(b)).

(ii) Amounts recognised in the consolidated statement of profit or loss

Depreciation expenses amounted to RMB1,233,000 (2023: RMB1,537,000), RMB59,000 (2023: RMB58,000) and RMB131,000 (2023: RMB131,000) related to leased properties, leasehold land and land use right respectively were charged to the consolidated statement of profit or loss during the year ended 31 December 2024.

Interest expense in relation to lease liabilities amounted to RMB93,000 (2023: RMB91,000) was charged to the consolidated statement of profit or loss and was included in finance costs.

The total cash outflow for leases for the year ended 31 December 2024 was RMB1,436,000 (2023: RMB1,680,000).

14 Intangible assets

	RMB'000
Year ended 31 December 2023	
Opening net book amount	2,892
Transfers from property, plant and equipment	89
Amortisation charge (Note 7)	(838)
Exchange difference	4
Closing net book amount	2,147
At 31 December 2023	
Cost	9,519
Accumulated amortisation	(7,372)
Net book amount	2,147
Year ended 31 December 2024	
Opening net book amount	**2,147**
Addition	**145**
Amortisation charge (Note 7)	**(812)**
Exchange difference	**5**
Closing net book amount	**1,485**
At 31 December 2024	
Cost	**9,669**
Accumulated amortisation	**(8,184)**
Net book amount	**1,485**

The Group's intangible assets mainly represent computer software. Amortisation of approximately RMB812,000 (2023: RMB838,000) is included in administrative expenses.

Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

IT development and software	5 years

See Note 34.7 for the other accounting policies relevant to intangible assets, and Note 34.8 for the Group's policy regarding impairments.

15 Subsidiaries

The directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Legal form	Particulars of issued share capital/paid-in capital	Proportion of equity interest directly held by the Company	Proportion of equity interest held by the Group
Rich Benefit International Limited ("Rich Benefit") (萬利國際有限公司)	The British Virgin Islands	Investment holding	Limited liability	100 shares of US$1 each (2023: Same)	100% (2023: Same)	100% (2023: Same)
BW Enterprise Company Limited ("BW Enterprise") (百威企業有限公司)	Hong Kong	Investment holding and sales of asphalt mixing plants	Limited liability	HK$30,000,000 (2023: Same)	100% (2023: Same)	100% (2023: Same)
Langfang D&G* (廊坊德基機械科技有限公司)	Mainland China	Manufacture of asphalt mixing plants	Foreign investment enterprise with Limited liability	Registered and paid-in capital of RMB200,000,000 (2023: Same)	100% (2023: Same)	100% (2023: Same)
Primach Technology Pte Ltd ("Primach")	Singapore	Sales of asphalt mixing plants	Limited liability	SGD10,000 (2023: Same)	100% (2023: Same)	100% (2023: Same)
D&G Machinery Pakistan Co. (Private) Limited	Pakistan	Leasing of asphalt mixing plants	Limited liability	10,000 shares of PAK10 each (2023: Same)	100% (2023: Same)	99.98% (2023: Same)
Super Diamond Group Ltd	The British Virgin Islands	Leasing of property	Limited liability	100 shares of US$1 each (2023: Same)	100% (2023: Same)	100% (2023: Same)

* The official name of the company is in Chinese. The English translation of the name is for reference only.

Except for D&G Machinery Pakistan Co. (Private) Limited, all subsidiaries of the Group are wholly-owned. There was no material non-controlling interest as at 31 December 2024 (2023: Nil).

16 Investment in an associate

The movement of the investment in an associate during the year is as follows:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	**62,256**	60,259
Share of profit	**1,816**	1,997
Balance at 31 December	**64,072**	62,256

Set out below are the details of the associate of the Group as at 31 December 2024 which, in the opinion of the directors, is material to the Group. The entity listed below has paid-in capital consisting solely of equity interests, which is held indirectly by the Group.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	**Carrying Amounts 2024 RMB'000**	Carrying Amounts 2023 RMB'000
Topp Financial Leasing (Shanghai) Co., Ltd. (拓菩融資租賃(上海)有限公司)	Mainland China	33.33% (2023: Same)	Associate	Equity method	**64,072**	62,256

16 Investment in an associate (Continued)

Topp Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Topp")

The tables below present the summarised financial information of Shanghai Topp. The information disclosed reflects the amounts presented in the financial statements of the associate but not the Company's share of those amounts. They have been amended to reflect the adjustments made when using the equity method, including fair value adjustments and modifications for differences in accounting policies, where necessary.

Summarised statement of financial position

	2024 **RMB'000**	2023 RMB'000
Current assets		
– Cash and cash equivalents	**91,991**	64,225
– Other current assets	**112,828**	129,893
Total current assets	**204,819**	194,118
Total non-current assets	**1,145**	2,125
Non-current liabilities	**–**	(24)
Current liabilities		
– Financial liabilities (excluding trade payables)	**(12,673)**	(10,680)
– Other current liabilities	**(3,095)**	(791)
Total current liabilities	**(15,768)**	(11,471)
Net assets	**190,196**	184,748

16 Investment in an associate (Continued)

Topp Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Topp") (Continued)

Reconciliation to carrying amounts

	2024 RMB'000	2023 RMB'000
Opening net assets as at 1 January	**184,748**	178,756
Profit for the year ended 31 December	**5,448**	5,992
Closing net assets	**190,196**	184,748
Group's equity interest	**33.33%**	33.33%
Group's share of net assets	**63,392**	61,576
Fair value gain on retained investment	**680**	680
Carrying amount as at 31 December	**64,072**	62,256

Summarised statement of comprehensive income

	For the year ended 31 December 2024 RMB'000	For the year ended 31 December 2023 RMB'000
Revenue	**8,684**	10,164
Finance income/(cost), net	**948**	(505)
Depreciation and amortisation	**(3)**	(468)
Other operating expenses	**(1,046)**	(1,164)
Income tax expense	**(3,135)**	(2,035)
Profit and total comprehensive income for the year	**5,448**	5,992

There were no commitment and contingent liabilities in respect of Shanghai Topp as at 31 December 2024 and 2023.

Certain customers financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. With respect to these leasing arrangements, the Group provided guarantee to Shanghai Topp amounted up to RMB85,756,000 (2023: RMB112,771,000).

17 Financial instruments by category

The Group holds the following financial instruments:

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and bills receivables (Note 20)	**169,189**	96,557
Other receivables and deposits, excluding prepayments (Note 21)	**30,134**	28,473
Pledged bank deposits (Note 22)	**21,672**	22,625
Cash at bank and on hand (Note 22)	**48,926**	161,654
	269,921	309,309
Financial assets at fair value through profit or loss:		
Investment in convertible bond (Note 18)	**–**	19,760
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables*	**114,465**	101,560
Borrowings (Note 23)	**–**	909
Lease liabilities (Note 13)	**1,277**	1,560
	115,742	104,029

* Excluding non-financial liabilities

18 Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss comprise the following:

	2024 RMB'000	2023 RMB'000
Current asset		
Investment in convertible bond	**–**	19,760

In 2021, the Group purchased a convertible bond issued by 浙江正方瀝青混凝土科技有限公司 (the "Issuer"), amounting to RMB20,000,000. The Issuer of the convertible bond is engaged in providing asphalt concrete for highway construction through setting up asphalt concrete stations. The convertible bond is guaranteed by the parent holding company of the Issuer and is interest bearing at 6% per annum. Under the convertible bond agreement, the Group has the right to exercise its equity conversion option at the conversion ratio of the higher of (i) 1.5 times of the net assets of the Issuer as at 31 December 2023 or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2023 and 2022, both of which are calculated with reference to its audited accounts prepared in accordance with the Mainland China general accepted accounting principles.

18 Financial asset at fair value through profit or loss (Continued)

The director of the Company and senior management performed a fair value assessment of the convertible bond as at 31 December 2023 by engaging an independent firm of professionally qualified valuers to perform a valuation of the Issuer using the discounted cash flow model under the income approach. Based on the fair value assessment, the carrying amount of the investment in the convertible bond approximates its fair value.

The key assumptions adopted in the valuation are as follows:

	2023
Gross margin	21%
Expected volatility	39%
Risk-free rate	2%
Discount rate	8%

On 30 April 2024, the convertible bond became mature and the Group did not exercise the equity conversion option. The Group received the principal redemption of convertible bond of RMB20,000,000 on 10 May 2024.

19 Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	**64,179**	57,345
Work in progress	**142,285**	133,113
Finished goods	**6,496**	21,475
	212,960	211,933

The carrying amount of the inventories is presented as net of provision. The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB240,871,000 (2023: RMB175,212,000). The inventories as at 31 December 2024 and 2023 were stated at the lower of cost and net realisable value. The net reversal of provision for impairment of inventories of RMB2,727,000 (2023: net provision for impairment of RMB1,973,000) has been included in "cost of sales" in the consolidated statement of profit or loss for the year ended 31 December 2024.

Accounting policies for inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

20 Trade and bills receivables

	2024 RMB'000	2023 RMB'000
Trade receivables from third-parties	**230,749**	170,250
Loss allowance (Note 3.1(b))	**(63,640)**	(72,389)
Discounting impact	**(3,984)**	(6,794)
	163,125	91,067
Bills receivables	**6,064**	5,490
Total trade and bills receivables	**169,189**	96,557

Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case-by-case basis, subject to the fulfilment of conditions as stipulated in the respective sales contracts. Credit terms up to 18 months were generally granted to the Group's customers.

The ageing analysis of the trade receivables as at the end of the year based on the date of revenue recognition is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**147,779**	94,862
1 to 2 years	**19,022**	3,878
2 to 3 years	**3,282**	31,324
Over 3 years	**60,666**	40,186
	230,749	170,250

The carrying amounts of the Group's gross trade and bills receivables were mainly denominated in RMB.

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 provision for impairment. See Note 34.11 for a further information for the Group's accounting for trade receivables and Note 34.9.4 and Note 3.1(b) for a description of the Group' s impairment policies.

20 Trade and bills receivables (Continued)

(ii) Fair values of trade and bills receivables

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

(iii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the loss allowance of trade receivables and the Group's exposure to credit risk on trade receivables can be found in Note 3.1(b).

The creation and release of loss allowance has been disclosed in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date was the carrying values of each class of receivables mentioned above. The Group did not hold any other collateral as security.

21 Prepayments, deposits and other receivables

	2024 **RMB'000**	2023 RMB'000
Current:		
Prepayments	**78,064**	55,882
Deposits and other receivables	**30,134**	28,473
Total prepayments, deposits and other receivables	**108,198**	84,355

The carrying amounts of deposits and other receivables approximated their fair values.

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
RMB	**103,416**	78,506
HK$	**4,751**	987
USD	**31**	31
Others	**–**	4,831
	108,198	84,355

21 Prepayments, deposits and other receivables (Continued)

Information about the loss allowance of other receivables and deposits and the Group's exposure to credit risk on other receivables and deposits can be found in Note 3.1(b).

The creation and release of loss allowance has been disclosed in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

22 Cash and cash equivalents and pledged bank deposits

The Group's cash and bank balances comprise the following:

	2024 **RMB'000**	2023 RMB'000
Cash at bank and on hand	**48,926**	161,654
Restricted bank deposits pledged in respect of banking facilities	**4,943**	4,614
Restricted bank deposits pledged in respect of bills payables (Note 24)	**16,729**	18,011
	21,672	22,625
Total cash and cash equivalents and pledged bank deposits	**70,598**	184,279

The effective interest rate on bank deposits was 2.53% (2023: 2.33%) per annum.

The Group's cash and bank balances were denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
RMB	**59,237**	161,233
HK$	**5,686**	2,434
USD	**5,387**	19,422
Others	**288**	1,190
	70,598	184,279

Significant restrictions

Bank balances of the Group as at 31 December 2024 amounting to RMB56,463,000 (2023: RMB143,687,000) were placed with certain banks in the Mainland China. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

23 Borrowings

Borrowings are analysed as follows:

	2024 RMB'000	2023 RMB'000
Secured bank loans	–	909

As at 31 December 2023, all bank borrowings of the Group were at floating rates.

As at 31 December 2023, the Group's bank loans were secured by the corporate guarantee provided by the Company, pledged bank deposits and property, plant and equipment. Borrowings of RMB909,000 were secured by the pledged bank deposits of RMB4,614,000 and property, plant and equipment of RMB36,836,000.

The carry amounts of the Group's borrowings were denominated in HK$.

As at 31 December 2023, the effective interest rate per annum of the Group's borrowings was 5.96%.

As at 31 December 2024, the Group had undrawn borrowing facilities amounting to RMB29,551,000 (2023: RMB47,066,000).

24 Trade and other payables and contract liabilities

	2024 RMB'000	2023 RMB'000
Current:		
Trade payables (i)	**26,307**	19,839
Bills payables (i)	**64,091**	60,058
	90,398	79,897
Amounts due to a related party (Note 31(a))	**252**	266
Other payables and accruals	**34,652**	26,207
	34,904	26,473
Total trade and other payables	**125,302**	106,370
Contract liabilities	**41,320**	58,165
	166,622	164,535

24 Trade and other payables and contract liabilities (Continued)

(i) The ageing analysis of trade and bills payables as at the end of the year based on invoice date is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**56,814**	30,601
After 3 months but within 6 months	**28,082**	35,052
After 6 months but within 1 year	**3,342**	12,093
Over 1 year	**2,160**	2,151
	90,398	79,897

(ii) As at 31 December 2024, bills payables of RMB64,091,000 (2023: RMB60,058,000) were secured by the Group's pledged bank deposits of RMB16,729,000 (2023: RMB18,011,000), buildings of RMB24,749,000 (2023: RMB27,650,000) and land use right of RMB4,180,000 (2023: RMB4,311,000).

(iii) The carrying amounts of the Group's trade and other payables and contract liabilities are denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
RMB	**165,148**	130,739
HK$	**1,315**	33,641
Others	**159**	155
	166,622	164,535

25 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2024 **RMB'000**	2023 RMB'000
Deferred tax assets	**11,094**	12,258
Deferred tax liabilities	**4,500**	4,500

25 Deferred income tax (Continued)

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2024 RMB'000	2023 RMB'000
Provision for impairment of trade receivables	**10,339**	11,651
Others	**755**	607
	11,094	12,258

The movement in deferred tax assets during the year is as follows:

Deferred tax assets arising from:	Provision for impairment of trade receivables RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2023	13,346	1,072	14,418
Charge to profit or loss	(1,695)	(465)	(2,160)
Balance at 31 December 2023	11,651	607	12,258
Balance at 1 January 2024	**11,651**	**607**	**12,258**
(Charge)/credit to profit or loss	**(1,312)**	**148**	**(1,164)**
Balance at 31 December 2024	**10,339**	**755**	**11,094**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB33,195,000 (2023: RMB32,573,000) in respect of losses amounting to RMB179,515,000 (2023: RMB164,490,000) that can be carried forward against future taxable income. Total unrecognised tax losses of RMB114,087,000 (2023: RMB103,631,000) can be carried forward indefinitely while unrecognised tax losses of RMB10,522,000, RMB561,000, RMB11,200,000, RMB28,891,000 and RMB10,107,000 will expire in 2025, 2026, 2027, 2028, 2029 respectively (2023: RMB4,146,000, RMB10,522,000, RMB561,000, RMB11,200,000 and RMB28,891,000 will expire in 2024, 2025, 2026, 2027 and 2028 respectively).

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2024 RMB'000	2023 RMB'000
Withholding tax on undistributed earnings	**4,500**	4,500

25 Deferred income tax (Continued)

(b) Deferred tax liabilities (Continued)

There is no movement in deferred tax liabilities during the year.

During the year ended 31 December 2024, the PRC subsidiaries declared dividends amounted to RMB11,032,000 (2023: RMB40,000,000) out of the undistributed earnings and the Group recognised a withholding tax amounted to RMB618,000 (2023: RMB2,100,000).

The PRC corporate income tax law and relevant regulations impose a withholding tax at 5%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of Mainland China enterprises accumulated from 1 January 2008 to overseas shareholders. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities in respect of the undistributed earnings of the Company's Mainland China subsidiaries of approximately RMB250,420,000 at 31 December 2024 (2023: RMB260,316,000) as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 Share capital and treasury shares

(a) Share capital

Authorised:

	Number of Ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares ('000)	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000	Share Premium RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	639,408	6,395	5,059	427,134
Dividend paid	–	–	–	(39,898)
At 31 December 2024	639,408	6,395	5,059	387,236

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

26 Share capital and treasury shares (Continued)

(b) Treasury shares

	Number of ordinary shares ('000)	Aggregate price paid RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	–	–
Shares repurchased	**7,240**	**4,833**
At 31 December 2024	**7,240**	**4,833**

27 Capital and statutory reserves

(a) Capital reserve

Capital reserve comprises contributions by the controlling shareholder arising from transactions with owners in their capacity as the equity owners.

(b) Statutory reserves

The PRC laws and regulations require companies registered in the Mainland China to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A Mainland China company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

28 Dividends

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: Nil).

At a board meeting held on 23 May 2024, the directors of the Company recommended the payment of a special dividend of approximately HK$0.07 per ordinary share, totalling HK$43.9 million (equivalent to RMB39.9 million) for the year ended 31 December 2023, which was paid in June 2024.

29 Note to consolidated statement of cash flows

(a) Cash used in operations

Reconciliation of profit/(loss) before income tax to cash used in operations is as follows:

	Note	2024 RMB'000	2023 RMB'000
Profit/(loss) before income tax		**6,359**	(19,830)
Adjustments for:			
– Depreciation and amortisation	7	**8,409**	9,612
– Finance costs	9	**255**	601
– Finance income	9	**(10,419)**	(11,153)
– Share of profit of an associate	16	**(1,816)**	(1,997)
– Net reversal of provision for impairment losses on trade receivables	7	**(8,749)**	(11,299)
– (Reversal of provision for)/provision for impairment of inventories, net	19	**(2,727)**	1,973
– Fair value gain on a financial asset at fair value through profit or loss	6	**(240)**	(720)
– Gain on disposal of non-current asset classified as asset held for sale, net of tax	6	**–**	(558)
– Loss/(gain) on disposal of property, plant and equipment	6	**315**	(261)
		(8,613)	(33,632)
Changes in working capital:			
– Inventories		**1,970**	10,001
– Trade and other receivables		**(80,812)**	18,678
– Restricted bank deposits pledged for bills payables		**1,282**	2,527
– Trade and other payables and contract liabilities		**1,508**	(50,389)
Cash used in operations		**(84,665)**	(52,815)

29 Note to consolidated statement of cash flows (Continued)

(b) Liabilities arising from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000
As at 1 January 2023	2,333	11,506
Proceeds from borrowings	–	4,520
Repayments of borrowings	–	(15,377)
Addition of leases	800	–
Repayment of principal portion of lease liabilities	(1,680)	–
Unwinding discount interest on lease liabilities (Note 9)	91	–
Foreign exchange adjustments	16	260
As at 31 December 2023 and 1 January 2024	1,560	909
Repayments of borrowings	–	(921)
Addition of leases	1,073	–
Repayment of principal portion of lease liabilities	(1,436)	–
Unwinding discount interest on lease liabilities (Note 9)	93	–
Early termination of lease	(38)	–
Foreign exchange adjustments	25	12
As at 31 December 2024	**1,277**	**–**

(c) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2024 RMB'000	2023 RMB'000
Net book amount (Note 12)	**399**	5
(Loss)/gain on disposal of property, plant and equipment (Note 6)	**(315)**	261
Total consideration from disposal of property, plant and equipment	**84**	266
Proceeds from disposal of property, plant and equipment received	**84**	266

30 Commitments

(a) Capital commitments as at 31 December 2024 and 2023 not provided for in the consolidated financial statements were as follows:

	2024 **RMB'000**	2023 RMB'000
Contracted for:		
Property, plant and equipment	**648**	778

As at 31 December 2024, there were no capital commitments authorised but not contracted for (2023: Same).

(b) Operating lease commitments – as lessee

At 31 December 2023 and 2024, the total future minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements were as follows:

	2024 **RMB'000**	2023 RMB'000
Within 1 year	**–**	4

31 Related party transactions

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 54% of the Company's issued shares. The ultimate controlling party of the Group is Choi Family (Mr. Choi Hung Nang, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy).

(a) Year-end balance

	Note	**2024** **RMB'000**	2023 RMB'000
Included in other payables:			
Amounts due to a related party			
– Entity controlled by Choi Family	(i)	**252**	266

Note:

(i) As at 31 December 2024 and 2023, the amounts due to a related party were unsecured, interest free and repayable on demand.

(b) Key management compensation

The details of remuneration for key management personnel of the Group are set out in Note 33 and Note 8(b) to the consolidated financial statements.

32 Statement of financial position and reserve movement of the Company

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Amounts due from subsidiaries		**412,621**	447,904
Total non-current assets		**412,621**	447,904
Current assets			
Other receivables		**4,589**	244
Cash and cash equivalents		**276**	286
Total current assets		**4,865**	530
Total assets		**417,486**	448,434
Equity			
Share capital		**5,059**	5,059
Reserves	(a)	**403,218**	443,375
Total equity		**408,277**	448,434
Current liability			
Amount due to a subsidiary		**9,209**	–
Total liability		**9,209**	–
Total equity and liability		**417,486**	448,434

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and signed on its behalf.

Choi Hung Nang
Director

Choi Kwan Li, Glendy
Director

32 Statement of financial position and reserve movement of the Company (Continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	427,134	–	7,888	13,339	52,737	(66,564)	434,534
Total comprehensive income/(loss) for the year	–	–	–	–	12,127	(3,286)	8,841
Employment share option scheme							
– Transfer to retained earnings in relation to share option scheme	–	–	–	(13,339)	–	13,339	–
Balance at 31 December 2023	427,134	–	7,888	–	64,864	(56,511)	443,375
Balance at 1 January 2024	427,134	–	7,888	–	64,864	(56,511)	443,375
Total comprehensive income/(loss) for the year	–	–	–	–	14,486	(9,912)	4,574
Purchase of own shares	–	(4,833)	–	–	–	–	(4,833)
Dividend paid	(39,898)	–	–	–	–	–	(39,898)
Balance at 31 December 2024	**387,236**	**(4,833)**	**7,888**	**-**	**79,350**	**(66,423)**	**403,218**

33 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

The remuneration of each director and the chief executive officer 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 for the year ended 31 December 2024				
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang *(Chairman)*	177	1,473	–	–	1,650
Mr. Choi Hon Ting, Derek	177	838	–	25	1,040
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer)*	177	1,473	–	25	1,675
Mr. Liu Tom Jing-zhi	177	990	–	25	1,192
Mr. Lao Kam Chi	177	1,289	–	25	1,491
Non-executive directors					
Mr. Chan Lewis	177	–	–	–	177
Mr. Alain Vincent Fontaine	177	–	–	–	177
Independent non-executive directors					
Mr. Li Zongjin	177	–	–	–	177
Mr. Lee Wai Yat, Paco	177	–	–	–	177
Mr. Fok Wai Shun, Wilson	177	–	–	–	177
Mr. O'Yang Wiley	177	–	–	–	177
	1,947	6,063	–	100	8,110

33 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2023				
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang *(Chairman)*	174	1,490	–	–	1,664
Mr. Choi Hon Ting, Derek	174	845	–	25	1,044
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer)*	174	1,490	–	25	1,689
Mr. Liu Tom Jing-zhi	174	933	–	25	1,132
Mr. Lao Kam Chi	174	1,078	–	25	1,277
Non-executive directors					
Mr. Chan Lewis	174	–	–	–	174
Mr. Alain Vincent Fontaine	174	–	–	–	174
Independent non-executive directors					
Mr. Li Zongjin	174	–	–	–	174
Mr. Lee Wai Yat, Paco	174	–	–	–	174
Mr. Fok Wai Shun, Wilson	174	–	–	–	174
Mr. O'Yang Wiley	174	–	–	–	174
	1,914	5,836	–	100	7,850

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join (2023: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings for the year ended 31 December 2024 (2023: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2023: Nil).

There are no significant transactions, arrangements and contracts relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: Same).

34 Summary of other potentially material accounting policies

34.1 Principles of consolidation and equity accounting

34.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

34.1.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

34.1.3 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 34.8.

34.1.4 Changes in ownership interests

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

34 Summary of other potentially material accounting policies (Continued)

34.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments 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.

34.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

34.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other income and other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

34 Summary of other potentially material accounting policies (Continued)

34.4 Foreign currency translation (Continued)

(c) Group companies

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

(i) 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;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

34 Summary of other potentially material accounting policies (Continued)

34.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land use right is classified as a sub-class of right-of-use assets and presented within property, plant and equipment.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.8). Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other income and other gains, net" in the consolidated statement of profit or loss.

34.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 34.5.

34.7 Intangible assets

Separately acquired intangible assets are recognised at historical cost at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses.

34.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

34 Summary of other potentially material accounting policies (Continued)

34.9 Financial assets

34.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

34.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

34.9.3 Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

34 Summary of other potentially material accounting policies (Continued)

34.9 Financial assets (Continued)

34.9.4 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

34.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 Group or the counterparty.

34.11 Trade and other receivables

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 provision for impairment. See Note 34.9.4 and Note 3.1(b) for a description of the Group' s impairment policies.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

34.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

34.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

34.14 Trade and other payables

Trade and others payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

34 Summary of other potentially material accounting policies (Continued)

34.15 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and third-party leasing companies on behalf of certain subsidiaries and customers. The Group does not recognise liabilities for financial guarantee at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statement of profit or loss immediately.

34.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of 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 loans 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 removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

34.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

34 Summary of other potentially material accounting policies (Continued)

34.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

34 Summary of other potentially material accounting policies (Continued)

34.19 Employee benefits

(a) Defined contribution schemes

The Group companies participate in various defined contribution schemes. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Performance bonus

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the consolidated statement of financial position.

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

34.20 Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

34 Summary of other potentially material accounting policies (Continued)

34.20 Equity-settled share-based payment transactions (Continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

34.21 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

34.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

34.23 Earnings/(loss) per share

(i) Earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing:

- the earnings/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

34 Summary of other potentially material accounting policies (Continued)

34.23 Earnings/(loss) per share (Continued)

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

34.24 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

34.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

34.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

34 Summary of other potentially material accounting policies (Continued)

34.26 Leases (Continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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.

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

34 Summary of other potentially material accounting policies (Continued)

34.26 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of offices and staff quarters are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

34.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.