



长安仁恒

Zhejiang Chang'an Renheng Technology Co., Ltd.*
浙江长安仁恒科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8139)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

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*This announcement, for which the directors (the "**Directors**") of Zhejiang Chang'an Renheng Technology Co., Ltd.* (the "**Company**", together with its subsidiaries, the "**Group**", "**we**", "**our**" or "**us**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**the GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

* For identification purpose only

RESULTS HIGHLIGHTS

- Revenue increased by 20.1% to approximately RMB194,863,000 (2023: RMB162,278,000).
- Gross profit increased by 22.5% to approximately RMB80,098,000 (2023: RMB65,363,000).
- Gross profit margin was approximately 41.1% (2023: 40.3%).
- Profit before taxation decreased by 45.8% to approximately RMB1,429,000 (2023: RMB2,638,000).
- Profit attributable to the equity holders of the Company for the year ended 31 December 2024 decreased by 44.9% to approximately RMB1,270,000 (2023: RMB2,303,000).
- Basic earnings per share decreased by 50.0% to approximately RMB0.03 (2023: RMB0.06).
- The Board did not recommend the payment of any final dividends for the year ended 31 December 2024 (2023: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang Chang’an Renheng Technology Co., Ltd.* (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the audited annual results of the Group for the year ended 31 December 2024 (the “**Year Under Review**”) and selected explanatory notes, together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Note	RMB	RMB
Revenue	3	194,863,577	162,277,897
Cost of sales	6	<u>(114,765,162)</u>	<u>(96,914,686)</u>
Gross profit		80,098,415	65,363,211
Selling expenses	6	(34,469,490)	(24,248,648)
Administrative expenses	6	(23,168,438)	(20,952,985)
Net impairment losses on financial assets	6	(30,034)	(1,982,165)
Research and development expenses	6	(15,542,097)	(11,585,685)
Other income	4	2,310,666	2,500,087
Other (losses)/gains – net	5	<u>(1,263,775)</u>	<u>78,734</u>
Operating profit		7,935,247	9,172,549
Finance income	7	109,858	230,563
Finance costs	7	<u>(6,616,542)</u>	<u>(6,765,587)</u>
Finance costs – net	7	<u>(6,506,684)</u>	<u>(6,535,024)</u>
Profit before income tax		1,428,563	2,637,525
Income tax expense	8	<u>(158,625)</u>	<u>(334,849)</u>
Profit for the year attributable to the equity holders of the Company		1,269,938	2,302,676
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		<u>(5,355)</u>	<u>–</u>
Total comprehensive income for the year attributable to the equity holders of the Company		<u>1,264,583</u>	<u>2,302,676</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	9	<u>0.03</u>	<u>0.06</u>

CONSOLIDATED BALANCE SHEET

as at 31 December 2024

		As at 31 December	
		2024	2023
	Note	RMB	RMB
ASSETS			
Non-current assets			
Property, plant and equipment		106,342,049	90,871,199
Right-of-use assets		6,926,943	5,584,475
Leasehold improvements and other non-current assets		30,481,050	32,096,391
Deferred income tax assets		3,205,870	3,079,752
		<u>146,955,912</u>	<u>131,631,817</u>
Current assets			
Inventories	10	72,915,022	65,889,150
Trade and other receivables, prepayments and other current assets	11	84,016,939	72,609,050
Financial assets at fair value through other comprehensive income (FVOCI)		7,979,375	5,064,216
Financial assets at fair value through profit or loss (FVPL)		7,781,394	–
Restricted cash	12	2,002,696	2,766,988
Cash and cash equivalents	12	16,330,972	14,888,159
		<u>191,026,398</u>	<u>161,217,563</u>
Total assets		<u>337,982,310</u>	<u>292,849,380</u>
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	13	38,400,000	38,400,000
Other reserves		50,342,050	50,347,405
Retained earnings		29,952,220	28,682,282
Total equity		<u>118,694,270</u>	<u>117,429,687</u>

		As at 31 December	
		2024	2023
	<i>Note</i>	<i>RMB</i>	<i>RMB</i>
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,882,358	2,163,057
Provisions for environmental rehabilitation		3,169,585	2,626,754
Borrowings		14,766,000	21,316,000
Lease liabilities		1,456,180	—
		<u>21,274,123</u>	<u>26,105,811</u>
Current liabilities			
Deferred government grants		280,970	281,241
Trade and other payables	<i>14</i>	39,221,460	58,851,610
Borrowings		158,191,669	90,085,200
Lease liabilities		319,818	95,831
		<u>198,013,917</u>	<u>149,313,882</u>
Total liabilities		<u>219,288,040</u>	<u>175,419,693</u>
Total equity and liabilities		<u>337,982,310</u>	<u>292,849,380</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture papermaking bentonite chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of ChangXingRenheng Refined Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the “**PRC**”) on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the “**Controlling Shareholder**”).

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 31 March 2025.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative liability at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2024:

	New/amended standards	Effective date
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for the year ended 31 December 2024 and have not been early adopted by the Group. Except for IFRS 18 which will mainly impact the presentation of statement of profit and loss, these amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	New/amended standards	Effective date
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability	1 January 2027

2.2 Changes in accounting policy and disclosures

The Group has already commenced an assessment of the impact of these new or amended standards, interpretations, and amended improvements, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 REVENUE

	Year ended 31 December	
	2024	2023
	RMB	RMB
– Recognised at a point in time		
Organic bentonite	110,744,455	98,057,375
Papermaking chemicals series	34,776,758	35,861,709
Inorganic gel	28,159,855	19,818,703
Dry strength agent	12,888,074	3,323,095
Putty powder	2,598,201	–
Quality calcium-bentonite	2,347,323	1,600,204
Other chemicals (<i>i</i>)	3,348,911	3,616,811
	<u>194,863,577</u>	<u>162,277,897</u>

For the year ended 31 December 2024, no single external customers contributed 10% or above of the Group's revenue (2023: one external customer, RMB18,485,624).

- (i) Other chemicals mainly comprise flocculating agent, which are principally applied in the sewage purification.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value-added tax.

Sales of goods

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been transferred to the buyer, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the goods are delivered 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.

4 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB	RMB
Government grants		
– Relating to assets	280,970	196,734
– Relating to costs (<i>i</i>)	455,534	956,133
– Additional deduction of value-added tax	<u>1,574,162</u>	<u>1,347,220</u>
	<u><u>2,310,666</u></u>	<u><u>2,500,087</u></u>

- (i) The government grants relating to costs were certain cost-related unconditional subsidies which were granted to award the Group's effort on environmental production, product development, contribution of tax payment and innovation.

5 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2024	2023
	RMB	RMB
Fair value losses of financial assets at FVPL	(1,040,817)	–
Net foreign exchange (losses)/gains	(87,293)	11,270
Donations	(51,200)	(260,000)
Disposal losses of of financial assets at FVPL	(30,376)	–
Net (losses)/gains on disposal of property, plant and equipment	(4,417)	47,078
Others	<u>(49,672)</u>	<u>280,386</u>
	<u><u>(1,263,775)</u></u>	<u><u>78,734</u></u>

6 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Changes in finished goods	(6,967,518)	(4,891,159)
Raw materials and consumables used	90,099,617	73,922,966
Employee benefit expenses	35,703,993	28,518,993
Transportation expenses	18,375,652	14,339,641
Utilities	17,477,820	14,942,364
Depreciation	7,703,866	6,687,128
Amortisation of leasehold improvements and other non- current asset	4,831,072	3,525,749
Travelling and communication expenses	4,354,712	2,761,018
Marketing and promotion expenses	4,186,521	1,726,014
Entertainment expenses	3,604,847	3,519,309
Taxes and levies	2,244,267	2,014,669
Maintenance expenses	1,593,946	1,595,812
Miscellaneous	1,469,411	1,193,798
Auditor' remuneration		
– Audit services	1,200,000	1,200,000
Professional service fees	1,013,361	1,502,966
Expense relating to short-term leases	552,975	609,280
Amortisation of right-of-use assets	500,645	533,456
Provision for impairment of trade and other receivables	30,034	1,882,165
Provision for impairment of financial assets at FVOCI	–	100,000
	<hr/>	<hr/>
Total cost of sales, selling expenses, administrative expenses, net impairment losses on financial assets and research and development expenses	<u>187,975,221</u>	<u>155,684,169</u>

7 FINANCE COSTS – NET

	Year ended 31 December	
	2024	2023
	RMB	RMB
Finance income		
– Interest income derived from bank deposits	<u>109,858</u>	<u>230,563</u>
Finance costs		
– Interest expenses on borrowings	(6,680,827)	(6,802,074)
– Interest expenses on lease liabilities	(29,432)	(25,421)
– Foreign exchange gains on borrowings and cash and cash equivalents – net	<u>93,717</u>	<u>61,908</u>
	<u>(6,616,542)</u>	<u>(6,765,587)</u>
Finance costs – net	<u>(6,506,684)</u>	<u>(6,535,024)</u>

8 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense and shows how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense

	Year ended 31 December	
	2024	2023
	RMB	RMB
Current income tax expense	(284,743)	(272,248)
Deferred income tax benefit/(expense)	<u>126,118</u>	<u>(62,601)</u>
	<u>(158,625)</u>	<u>(334,849)</u>

PRC corporate income tax

The Group's subsidiaries established and operated in Mainland China are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“EIT Law”). Pursuant to the EIT Law, the Group's subsidiaries established in Mainland China are generally subject to EIT at the statutory rate of 25%.

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 8 December 2023 to 7 December 2026.

The subsidiary Yangyuan Renheng Fine Clay Co., Ltd. (“**Renheng Refined Clay**”) obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Hebei province, which granted tax preferential rate of 15% for three years from 1 December 2021 to 30 November 2024. Renheng Refined Clay renewed the qualification in 2024, which entitled to a preferential CIT rate of 15% for three years from 11 November 2024 to 10 November 2027.

The subsidiary Zhejiang Chang’an Renheng Chemical Co., Ltd. (“**Renheng Chemicals**”) are subject to “small and thin profit enterprises” under the CIT Law, and accordingly, a preferential income tax rate of 20% for the years ended 31 December 2024. As a result, such PRC subsidiary were eligible for a preferential enterprise income tax rate for its respective tax holiday.

Other countries

Corporate income tax in other jurisdictions mainly represented the income tax on profit arising from the United States, which had been calculated on the estimated assessable profit for the year at the rate of 21% (2023: not applicable) prevailing in the relevant jurisdictions.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2024	2023
	RMB	RMB
Profit before tax	<u>1,428,563</u>	<u>2,637,525</u>
Tax calculated at applicable corporate income tax rate	(357,141)	(659,381)
Different tax jurisdiction	(41,014)	–
Expenses not deductible for tax purposes	(448,512)	(476,222)
Additional deduction for research and development expenses (i)	2,221,792	1,731,046
Unused tax losses for which no deferred tax asset has been recognized (ii)	(2,038,015)	(1,165,979)
Preferential income tax benefits	<u>504,265</u>	<u>235,687</u>
Income tax expense	<u>(158,625)</u>	<u>(334,849)</u>

- (i) Pursuant to the Corporate Income Tax Law, the Company can enjoy an additional tax deduction calculated at 100% of the actual research and development expenses recognised under PRC GAAP. The tax deduction can be charged to the profit or loss after obtaining approval from tax authorities.

(ii) Tax losses

	Year ended 31 December	
	2024	2023
	RMB	RMB
Unused tax losses for which no deferred tax asset has been recognized will be expired		
2024	–	1,054,383
2025	2,002,270	2,002,270
2026	4,226,249	4,226,249
2027	3,489,780	3,489,780
2028	3,391,936	3,391,936
2029	5,060,544	–
After 2029	6,920,220	2,119,966
	<u>25,090,999</u>	<u>16,284,584</u>

As at 31 December 2024, the Group had unused tax losses of approximately RMB25,090,999 (31 December 2023: RMB16,284,584) that can be carried forward against future taxable income. Deferred income tax asset has not been recognized in respect of such tax losses due to the unpredictability of future taxable income.

The Group principally conducted its business in the PRC, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expirations of unused tax losses of the High and New Tech Enterprises issued in August 2018, the accumulated tax losses of the Company and Renheng Refined Clay will expire within 10 years.

(iii) Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2024. The mandatory exception applies retrospectively and the retrospective application has no impact on the consolidated financial statements.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2024 and 2023.

	Year ended 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Profit attributable to the equity holders of the Company	1,269,938	2,302,676
Weighted average number of ordinary shares in issue	38,400,000	38,400,000
Basic earnings per share (RMB per share)	0.03	0.06

(b) Diluted

The fully diluted earnings per share for the years ended 31 December 2024 and 2023 are the same as the basic earnings per share as there were no dilutive potential ordinary share for the years ended 31 December 2024 and 2023.

10 INVENTORIES

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Raw materials		
Finished goods	52,616,988	52,879,197
Low value consumables	17,236,064	10,268,546
	3,758,655	3,438,092
	73,611,707	66,585,835
Less: provision for write-down	(696,685)	(696,685)
	72,915,022	65,889,150

The cost of inventories recognised as cost of sales amounted to RMB112,520,895 and RMB94,900,017 for the years ended 31 December 2024 and 2023, respectively.

11 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Trade receivables (a)	77,868,421	71,469,009
Less: provision for impairment	<u>(6,262,187)</u>	<u>(6,445,799)</u>
	<u>71,606,234</u>	<u>65,023,210</u>
<i>Other receivables</i>		
– Receivable from loaning to an employee	1,410,433	–
– Deposits	949,866	475,649
– Staff advances	224,084	107,200
– Related party borrowing	28,665	28,665
– Others	<u>303,952</u>	<u>348,258</u>
	<u>2,917,000</u>	<u>959,772</u>
Less: provision for impairment	<u>(202,749)</u>	<u>(104,697)</u>
	<u>2,714,251</u>	<u>855,075</u>
<i>Prepayments</i>		
– Purchase of raw materials	7,197,774	5,497,970
– Service fees	<u>1,700,487</u>	<u>543,120</u>
	<u>8,898,261</u>	<u>6,041,090</u>
<i>Other current assets</i>		
– Value-added tax recoverable	565,399	344,927
– Prepaid income tax	<u>232,794</u>	<u>344,748</u>
	<u>798,193</u>	<u>689,675</u>
Trade and other receivables, prepayments and other current assets-net	<u><u>84,016,939</u></u>	<u><u>72,609,050</u></u>

As at 31 December 2024 and 2023, the fair values of the trade and other receivables of the Group, except for the prepayments and other current assets which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables mentioned above.

	As at 31 December	
	2024	2023
	RMB	RMB
RMB	69,478,736	61,822,108
USD	4,841,749	4,056,177
	<u>74,320,485</u>	<u>65,878,285</u>

(a) The aging analysis of trade receivables is as follows:

	As at 31 December	
	2024	2023
	RMB	RMB
– Within 180 days	54,627,569	47,396,394
– Over 180 days and within 1 year	12,961,088	16,369,448
– Over 1 year and within 2 years	6,699,565	3,538,361
– Over 2 years and within 3 years	262,213	2,271,548
– Over 3 years	3,317,986	1,893,258
	<u>77,868,421</u>	<u>71,469,009</u>

The credit period granted to customers is normally between 90 days to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

12 CASH AND BANK BALANCES

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Cash at bank and on hand	18,333,668	17,655,147
Less: Restricted cash (b)	<u>(2,002,696)</u>	<u>(2,766,988)</u>
Cash and cash equivalents (a)	<u><u>16,330,972</u></u>	<u><u>14,888,159</u></u>

Cash at bank and in hand are denominated in:

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
– RMB	17,924,076	17,654,509
– USD	408,850	–
– HKD	<u>742</u>	<u>638</u>
	<u><u>18,333,668</u></u>	<u><u>17,655,147</u></u>

- (a) Cash and cash equivalents are deposits with original maturity within 3 months. For the year ended 31 December 2024, the Group earns interest on cash and cash equivalents at fixed annual rates from 0.10% to 1.15% (2023: from 0.20% to 1.70%).
- (b) As at 31 December 2024 and 2023, restricted cash were denominated in RMB, which primarily represented guaranteed deposits pledged to bank for issuance of notes payable and time deposits with initial term over 3 months.

13 SHARE CAPITAL

	Number of shares	Share capital <i>RMB</i>
At 31 December 2024 and 2023	<u>38,400,000</u>	<u>38,400,000</u>

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Trade payables	18,994,736	39,371,472
Other payables	11,612,247	12,184,777
Staff salaries and welfare payables	7,395,042	6,051,355
Accrued taxes other than income tax	<u>1,219,435</u>	<u>1,244,006</u>
	<u>39,221,460</u>	<u>58,851,610</u>

As at 31 December 2024 and 2023, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2024 and 2023, trade and other payables were all denominated in RMB.

The aging analysis of the trade payables is as follows:

	As at 31 December	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Trade payables		
– Within 180 days	15,225,818	35,105,842
– Over 180 days and within 1 year	99,152	367,291
– Over 1 year and within 2 years	75,116	316,111
– Over 2 years and within 3 years	22,291	157,970
– Over 3 years	<u>3,572,359</u>	<u>3,424,258</u>
	<u>18,994,736</u>	<u>39,371,472</u>

15 DIVIDENDS

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2024 (2023: Nil).

INDUSTRY REVIEW

The Group's main business is the research, development, production and sale of bentonite fine chemicals. The products are used in many fields such as paint coatings, paper manufacturing, water treatment and oil field.

With the rapid development of science and technology and the continuous deepening of research on bentonite, new products and processing technologies of bentonite continue to emerge, providing technical support for the rapid development of the bentonite industry. Its consumption field has gradually expanded from the traditional drilling mud, iron ore pellets and casting industries to petroleum, paper manufacturing, textile printing and dyeing, daily-use chemical industry, rubber, plastics, environmental protection and other industries. Bentonite has become a widely used basic material.

On 28 April 2024, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the Ministry of Finance, the State Administration for Market Regulation, the National Financial Regulatory Administration, the China Securities Regulatory Commission and the National Forestry and Grassland Administration jointly issued the Notice on Further Strengthening the Construction of Green Mines, which encourages mining enterprises to adopt advanced and applicable technologies, strengthen the upgrading and transformation of green and low-carbon technologies, processes and equipment, adopt information technology, and promote intelligent and green development.

As one of the traditional chemical industries, the paint industry shall always adhere to the law of historical development, take "green environmental protection" as the development principle, and work together with other industries to promote society towards the path of "sustainable development". The development of the economy still relies on "green environmental protection". The issue of "environmental protection" is closely related to everyone's life, and regardless of clothing, food, housing or transportation, it is inseparable from the concept of environmental protection. Therefore, the coating enterprises have the unshirkable responsibility and obligation to maintain a green ecological environment.

Bentonite, as a natural clay mineral material, has excellent application performance in coatings. It can be directly added without additional organic solvents or diluted monomer activation, better achieving energy conservation and emission reduction. It regulates and balances the contradiction between leveling and hanging. Changing viscosity thickening can reduce viscosity rheology, improve storage stability, enhance anti-sinking and anti-hanging performance, reduce the production cost of the coating industry, better realize energy saving and emission reduction, and improve the economic efficiency and value.

In the papermaking field, the promulgation and implementation of policies of “carbon neutrality” and “carbon peaking” have driven the papermaking industry to forge ahead on the path of green and low-carbon transformation. The successive improvement of the policy and institutional system related to double carbon is conducive to clarifying the quantitative target of carbon emissions in the paper industry, achieving industrial restructuring, energy structure reform, breakthroughs in digital manufacturing and green upgrading. In recent years, the increase in production capacity in the industry mainly originated from the nationwide layout of leading large-scale paper mills. There is also a possibility of a decrease in the supply of new production capacity in the future, and the supply and demand pattern in the industry shows great elasticity in improving. As the development of the paper industry enters a mature and stable period, small and medium-sized production capacity with high energy consumption and substandard environmental protection is gradually being eliminated. The competitive advantage of large-scale paper enterprises continues to expand, and the industry concentration will further increase.

BUSINESS REVIEW

In 2024, the business focus of the Group was to promote products such as bentonite for paints and coatings, bentonite for oil fields and grease mortar.

During the purification and processing of bentonite, a large amount of high-quality sand and gravel is generated as waste. The sand and gravel could be used in the production of dry mixed mortar, which can not only turn waste into treasure but also avoid environmental damage. After the promotion of dry mixed mortar engineering, the amount of cement or natural sand used is greatly reduced, and the product cost is greatly reduced, which promotes the development of circular economy.

The Group’s bentonite for oilfield use is made of bentonite modified by sodium modification and compounded. The product is suitable for oil drilling and geothermal drilling with excellent plugging and wall protection, and have the advantages of high slurry rate, good thixotropy and excellent lubrication and support properties.

In 2024, the Group established a subsidiary in the USA, focusing on the promotion of bentonite for oilfield use and bentonite for paints and coatings.

The Group attaches great importance to the investment in research and development of new products. In 2024, the Group’s research and development expenses amounted to approximately RMB15,542,000.

In 2024, the Group undertook the development of two provincial-level new products.

In 2024, the Group passed the re-evaluation of the “Little Giant” for specialized, sophisticated, unique and innovative enterprises by the Ministry of Industry and Information Technology.

Yangyuan Renheng, a subsidiary of the Group, passed the re-evaluation of high-tech enterprises in 2024.

Four of the Group's products: auxiliaries for high solid and low solvent anticorrosive coatings, suspending anti-sinking agents for high strength and low carbon wall coatings, nano-mineral morphing agents for solvent-free coatings, and additives for light curing UV resin, were listed in the Classification Catalogue of Industrial Strategic New and Emerging Industries by the National Bureau of Statistics of the PRC.

FINANCIAL REVIEW

1. Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the Year Under Review:

Product	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Organic bentonite	110,744	56.8	98,057	60.4
Papermaking chemicals series	34,777	17.9	35,862	22.1
Inorganic gel	28,160	14.5	19,819	12.2
Dry strength agent	12,888	6.6	3,323	2.1
Putty powder	2,598	1.3	–	–
Quality calcium-bentonite	2,347	1.2	1,600	1.0
Other chemicals (i)	3,349	1.7	3,617	2.2
Total	<u>194,863</u>	<u>100.0</u>	<u>162,278</u>	<u>100.0</u>

(i) Other chemicals mainly comprise flocculating agent which are principally applied in the sewage purification.

Total revenue was approximately RMB194,863,000 for the year ended 31 December 2024 (2023: approximately RMB162,278,000), representing an increase of approximately RMB32,585,000 or 20.1% as comparing the revenue of the Year Under Review with that of last year. The increase in revenue was mainly due to the increase in sales volume of organic bentonite and inorganic gel during the Year Under Review as compared to the year ended 31 December 2023.

2. Cost of sales

The cost of sales mainly comprised cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the Year Under Review:

	For the year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Cost of raw materials and consumable	90,099	78.5	73,923	76.3
Direct labour costs	11,268	9.8	9,959	10.3
Manufacturing overhead costs	10,536	9.2	10,229	10.5
Others	2,862	2.5	2,804	2.9
Total	<u>114,765</u>	<u>100.0</u>	<u>96,915</u>	<u>100.0</u>

The cost of sales increased by approximately RMB17,850,000 or 18.4% from approximately RMB96,915,000 for the year ended 31 December 2023 to approximately RMB114,765,000 for the year ended 31 December 2024.

Cost of raw materials and consumable accounted for approximately 78.5% and 76.3% of cost of sales for the year ended 31 December 2024 and 2023, respectively. The cost of raw materials and consumable increased by approximately RMB16,176,000 or 21.9% from approximately RMB73,923,000 for the year ended 31 December 2023 to approximately RMB90,099,000 for the year ended 31 December 2024 was mainly due to the increase in production volume and average unit cost of CPAM. CPAM was the major raw material for a kind of product in papermaking chemicals with a relatively high unit cost. As the average unit cost of CPAM increased for the year ended 31 December 2024, the overall cost of sales increased accordingly.

Direct labour costs accounted for approximately 9.8% and 10.3% of cost of sales for the year ended 31 December 2024 and 2023, respectively. Direct labour costs increased by approximately RMB1,309,000 or 13.1% from approximately RMB9,959,000 to RMB11,268,000 during the comparative years.

Manufacturing overhead costs accounted for approximately 9.2% and 10.5% of cost of sales for the year ended 31 December 2024 and 2023, respectively. Manufacturing overhead costs increased by approximately RMB307,000 or 3.0% from approximately RMB10,229,000 for the year ended 31 December 2023 to approximately RMB10,536,000 for the year ended 31 December 2024.

3. Gross profit and gross profit margin

The gross profit increased by approximately RMB14,735,000 or 22.5% from approximately RMB65,363,000 for the year ended 31 December 2023 to approximately RMB80,098,000 for the Year Under Review. The increase was mainly due to the increase in gross profit margin.

Gross profit margin for the Year Under Review was 41.1%, representing an increase of 0.8% points as compared to 40.3% for the previous year. The increase in gross profit margin was mainly due to the change in sale mix.

4. Selling expenses

The selling expenses for the year ended 31 December 2024 and 2023 amounted to approximately RMB34,469,000 and RMB24,249,000, respectively. The selling expenses increased by approximately RMB10,220,000 or 42.1% mainly because of the increase in transportation expenses, marketing and promotion expenses, travelling expenses and staff costs during the Year Under Review.

5. Administrative expenses

The administrative expenses increased by approximately RMB2,215,000 or 10.6% from approximately RMB20,953,000 for the year ended 31 December 2023 to approximately RMB23,168,000 for the year ended 31 December 2024. The increase was mainly due to the increase in depreciation and staff costs.

6. Net impairment losses on financial assets

The net impairment loss on financial assets decreased by approximately RMB1,952,000 or 98.5% from approximately RMB1,982,000 for the year ended 31 December 2023 to approximately RMB30,000 for the year ended 31 December 2024.

7. Research and development expenses

The research and development expenses increased by approximately RMB3,956,000 or 34.1% from approximately RMB11,586,000 for the year ended 31 December 2023 to approximately RMB15,542,000 for the year ended 31 December 2024. The increase was mainly due to the increase in scale of the research and development project for the environmental protection field with Jilin Design and Research Institute for petrochemical engineering.

8. Other income and gains, net

Other income and gains, net for the year ended 31 December 2024 and 2023 amounted to approximately RMB1,047,000 and RMB2,579,000, respectively. The decrease in other income and gains, net was mainly due to the fair value losses of financial assets at FVPL of approximately RMB1,041,000 for the year ended 31 December 2024.

9. Finance costs – net

The finance costs - net decreased by approximately RMB28,000 or 0.4% from approximately RMB6,535,000 for the year ended 31 December 2023 to approximately RMB6,507,000 for the year ended 31 December 2024. The decrease was mainly due to the decrease of interest expenses on borrowings as a result of the decrease in average bank borrowings interest rate. The bank borrowings were financed for working capital and capital investments in the production facilities.

10. Income tax expense

The income tax expense for the year ended 31 December 2024 and 2023 amounted to approximately RMB159,000 and RMB335,000, respectively. The income tax expense decreased by approximately RMB176,000 or 52.5% mainly due to the decrease in profit before income tax. The details are set out in Note 8 to the consolidated financial statements.

The effective tax rates were 11.1% and 12.7% for the years ended 31 December 2024 and 2023, respectively.

11. Profit for the year attributable to the equity holders of the Company

As a result of the foregoing, the profit for the year attributable to the equity holders of the Company decreased by approximately RMB1,033,000 or 44.9% from approximately RMB2,303,000 for the year ended 31 December 2023 to approximately RMB1,270,000 for the year ended 31 December 2024.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Inventories

The inventories comprise raw materials, finished goods and low-value consumables. The following table sets out the inventories as at balance sheet dates indicated:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	52,617	52,879
Finished goods	17,236	10,269
Low-value consumables	3,759	3,438
Less: provision for write-down	(697)	(697)
Total	<u>72,915</u>	<u>65,889</u>

Raw materials mainly comprised bentonite and CPAM. Finished goods are bentonite fine chemicals mainly applied in the papermaking industries. The Group customizes the formulas for bentonite fine chemicals based on customers' requirements and makes enhancement in response to customers' production conditions.

Provision for impairment of inventories

The Group has established policies to evaluate the amount of provision required for impairment of inventories. The Group inspects and reviews the aging and conditions of inventories on a regular basis. If the Group considers that the inventories have become obsolete or damaged, provision for impairment of inventories will be provided against these inventories to reflect the net realisable value of these inventories.

The amount of the provision for impairment of inventories was approximately RMB697,000 at 31 December 2024 (31 December 2023: RMB697,000).

Inventory turnover

The following table sets out the average inventory turnover days for the year indicated:

	Year ended 31 December	
	2024	2023
Average inventory turnover days (<i>note</i>)	<u>221</u>	<u>239</u>

Note:

Average inventory turnover days are equal to the average inventory divided by cost of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the financial year plus inventory at the end of the financial year and divided by 2.

The average inventory turnover days decreased from 239 days for the year ended 31 December 2023 to 221 days for the year ended 31 December 2024. The decrease in average inventory turnover days in 2024 was primarily due to the increase in cost of sales.

2. Trade and other receivables, prepayments and other current assets – net

The following table sets out an analysis of the trade and other receivables, prepayments and other current assets – net as at the balance sheet dates indicated:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	77,868	71,469
Less: provision for impairment	<u>(6,262)</u>	<u>(6,446)</u>
Trade receivables – net	<u>71,606</u>	<u>65,023</u>
Other receivables	2,917	960
Less: provision for impairment	<u>(203)</u>	<u>(105)</u>
Other receivables – net	<u>2,714</u>	<u>855</u>
Prepayments	<u>8,898</u>	<u>6,041</u>
Other current assets	<u>799</u>	<u>690</u>
Trade and other receivables, prepayments and other current assets – net	<u>84,017</u>	<u>72,609</u>

Trade receivables

Trade receivables as at 31 December 2024 and 2023 mainly represented the outstanding amounts of receivable from customers less any provision for impairment of trade receivables. The following table sets out an analysis of the trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	77,868	71,469
Less: provision for impairment	<u>(6,262)</u>	<u>(6,446)</u>
Trade receivables – net	<u>71,606</u>	<u>65,023</u>

The customers are normally required to make payment pursuant to the credit terms which is determined by the length of the customers' relationship with the Group and the contract value. The Group generally provides a credit term normally from 90 days to 180 days to its customers.

The table below sets out the aging breakdown of trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	54,628	47,396
Over 180 days and within 1 year	12,961	16,370
Over 1 year and within 2 years	6,699	3,538
Over 2 years and within 3 years	262	2,272
Over 3 years	3,318	1,893
	<hr/>	<hr/>
Total	<u>77,868</u>	<u>71,469</u>

The Group's trade receivables increased by approximately RMB6,399,000 or 9.0% from approximately RMB71,469,000 as at 31 December 2023 to approximately RMB77,868,000 as at 31 December 2024. The trade receivables due over 180 days decreased by approximately RMB833,000 or 3.5% from approximately RMB24,073,000 as at 31 December 2023 to approximately RMB23,240,000 as at 31 December 2024. The decrease was mainly due to the decrease in trade receivables due over 2 years and within 3 years during the Year Under Review.

Trade receivables turnover days

The following table sets out the Group's trade receivables turnover days for the year indicated:

	Year ended 31 December	
	2024	2023
Trade receivables turnover days (<i>note</i>)	<u>140</u>	<u>153</u>

Note:

The number of trade receivables turnover days is calculated as average trade receivables (trade receivables at the beginning of the year plus trade receivables at the end of the year then divided by 2) divided by total revenue for the year multiplied by 365.

The Group's trade receivables turnover days for the years ended 31 December 2024 and 2023 was approximately 140 days and 153 days respectively. The decrease of turnover days was mainly due to the increase in revenue.

Provision for impairment of trade receivables

Trade receivables is subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates of trade receivables is based on the payment profiles of sales over a period of 36 month before 1 January 2024 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers. The Group has identified the GDP and Producer Price Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. Trade and other payables

The following table sets out an analysis of the trade and other payables as at the balance sheet dates indicated:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	18,995	39,371
Other payables	11,612	12,185
Staff salaries and welfare payables	7,395	6,051
Accrued taxes other than income tax	1,219	1,244
	<hr/>	<hr/>
Total	<u>39,221</u>	<u>58,851</u>

As at 31 December 2024 and 2023, all trade and other payables of the Group were non-interest bearing, and their fair values, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

The trade payables decreased by approximately RMB20,376,000 or 51.8% from approximately RMB39,371,000 as at 31 December 2023 to approximately RMB18,995,000 as at 31 December 2024.

Trade payables turnover days

The following table sets out the Group's trade payables turnover days for the year indicated:

	Year ended 31 December	
	2024	2023
Trade payable turnover days (<i>note</i>)	<u>93</u>	<u>121</u>

Note:

The number of trade payables turnover days is calculated as average trade payables (trade payables at the beginning of the year plus trade payables at the end of the year then divided by 2) divided by cost of sales for the year multiplied by 365.

The trade payables turnover days decreased from 121 days for the year ended 31 December 2023 to 93 days for the year ended 31 December 2024, which was due to the decrease in average trade payables for the Year Under Review.

4. Property, plant and equipment

Our property, plant and equipment comprised (i) buildings, fixtures and facilities; (ii) machinery and equipment; (iii) vehicles; (iv) electronic and office equipment; and (v) construction in progress. The carrying amount of our property, plant and equipment increased by approximately RMB15,471,000 or 17.0% from approximately RMB90,871,000 as at 31 December 2023 to approximately RMB106,342,000 as at 31 December 2024.

CASH FLOWS

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB1,443,000, which mainly comprised the net cash generated from operating activities of approximately RMB7,847,000, net cash used in investing activities of approximately RMB41,181,000, net cash generated from financing activities of approximately RMB34,683,000, and the foreign exchange gain of approximately RMB94,000.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of the Group as at 31 December 2024 was approximately RMB172,958,000 (31 December 2023: approximately RMB111,401,000). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

2. Gearing ratio

As at 31 December 2024, the Group's gearing ratio was approximately 132.0% (31 December 2023: 82.2%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year multiplied by 100%. The increase was mainly due to the increase in bank borrowings.

3. Pledge of assets

As at 31 December 2024, the Group had pledged certain land use rights, property, plant and equipment and financial assets at FVOCI with aggregate carrying amount of approximately RMB15,463,000 (31 December 2023: approximately RMB16,814,000).

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB30,081,000 and RMB27,485,000 for the year ended 31 December 2024 and 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Year Under Review, the weighted average effective annual interest rate of secured or guaranteed borrowings was 4.29% and the weighted average effective annual interest rate of unsecured borrowings was 4.22%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 31 December 2024, the Group had cash and cash equivalents of RMB16,331,000 (31 December 2023: approximately RMB14,888,000) which was mainly generated from operations of the Group.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

CAPITAL COMMITMENT

As at 31 December 2024, the Group had capital commitment of approximately RMB1,672,000 (31 December 2023: approximately RMB4,677,000).

SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products and all of the Group's operations are carried out in China. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2024, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2024.

FUTURE OUTLOOK

The Group is committed to making full use of bentonite mineral resources to develop a series of high value-added fine chemicals. Relying on the technical achievements and production experience accumulated over the years, the Group will develop high-tech products with high technical content and high added value in the field of bentonite and its derivatives, and will explore the industrialization promotion model of bentonite deep development products. It will not only help improve the development and utilization level of the bentonite resources in the PRC and promote the extension of bentonite industry chain in the PRC to high-end products, but will also have a positive impact on shortening the development gap between the PRC and developed countries in related fields and improving the development level of the bentonite industry.

The Group develops the following strategic new products based on bentonite mines and their associated mines. The products are divided into three categories: organic bentonite series; water-based bentonite series; and inorganic gel series.

Guide coating customers to transform to high solid content products. Currently, we have reached cooperation with many companies on high solid content system products, replacing imported hydrophobic gas silica and other products in the original formula. This will solve the problems of poor anti-settling and difficult construction in the original formula, and can reduce the viscosity of the coating, increase the solid content, and reduce the use of organic solvents.

Develop bentonite products for deep wells, ultra-deep wells, and offshore drilling. As an adjuvant for viscosity and shearing, it can be formulated into excellent oil-in-cement slurry and high-temperature resistant de-stuck agent, greatly improving drilling speed and reducing accidents.

Develop high-solid oil-based pesticide suspension agents, using oily solvents as carriers. High-solid oil-based pesticide suspension agents have the properties of low viscosity, good fluidity, easy dispersion and high suspension. They can increase the solid content of the original drug, reduce the amount of solvent used, and effectively reduce volatile organic matter, thereby reducing toxicity to humans and animals and environmental hazards and has higher safety.

In 2025, the Group will focus on developing overseas customer markets, expanding foreign trade business, and focusing on developing sales markets in North America, Europe, and Southeast Asia.

In 2025, the Group will continue to adhere to the profit-centered and innovation-driven development strategy. We will actively develop new products, open up new markets, and create maximum value for shareholders.

HUMAN RESOURCES AND TRAINING

For the year ended 31 December 2024, the Group had a total of 229 employees, of which 59 worked at the Group's headquarter in Changxing, and 170 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. The overall gender ratio in the workforce for male to female was male 80.3% to female 19.7%. Total staff cost for the Year Under Review amounted to RMB35,704,000 (2023: RMB28,519,000). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

During the Year Under Review, the Group adhered to the "human-oriented" management concept to have its staff closely involved in the development of the Group and provided them with skills training. The Group formulates workflow and service specifications for its employees, conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

DIVIDENDS

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2024 (2023: Nil).

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

To be eligible to attend and vote in the forthcoming annual general meeting

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 20 May 2025, the register of members of the Company will be closed from Sunday, 20 April 2025 to Tuesday, 20 May 2025 (both days inclusive) during which period no transfer of H shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's H share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Thursday, 17 April 2025.

OTHER CORPORATE INFORMATION

Directors' and supervisors' service contracts

Each of the Directors and supervisors has entered into a service agreement with the Company for a term of three years. No Director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors', supervisors' and controlling shareholders' interests in transaction, arrangement and contract

None of the Directors, the supervisors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year Under Review.

Directors', supervisors' and chief executive's interests in shares, debentures and underlying shares of the company or any associated corporation

As at 31 December 2024, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director/ supervisor	Nature of interest	Number of shares in the Company held	Approximate percentage of Issued Share Capital
Mr. Zhang Youlian	Beneficial owner	19,220,600	50.05%
Ms. Zhang Jinhua	Beneficial owner	398,400	1.04%
Mr. Xu Qinsi ⁽ⁱ⁾	Interest of spouse	100,000	0.26%

(i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 domestic shares in the Company held by his spouse. Ms. Ling Weixing.

Save as disclosed above, as at 31 December 2024, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares, underlying shares 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 Hong Kong Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Directors' and supervisors' rights to acquire shares or debentures

During the Year Under Review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2024, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest	Number of shares in the Company held	Interest in Underlying Shares	Total number of shares in the Company held	Approximate percentage of Issued Share Capital
Ms. Yu Hua	Beneficial owner	3,576,000	–	3,576,000	9.31%

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2024.

Corporate Governance

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provisions C.2.1 and C.1.8 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Year Under Review, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its directors.

Audit Committee

The Company established an Audit Committee on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan, who are Independent Non-executive Directors. Mr. Zhang, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

During the Year Under Review, the Audit Committee had held two meetings and all the members attended the meetings. Pursuant to the meeting of the Audit Committee held on 31 March 2025, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2024, this results announcement, the 2024 annual report and accounting principles and practices adopted for the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosures have been made.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

Public Float

According to the information disclosed publicly and as far as the Directors are aware, during the Year Under Review and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders.

Purchases, Sale or Redemption of the Company’s Listed Securities

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Events After the Reporting Period

There is no material events after the reporting period as at the date of this announcement.

Disclosure of Information

This announcement of results has been published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for the year ended 31 December 2024 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders of our Company and published on our website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.*
Zhang Youlian
Chairman

Zhejiang, PRC, 31 March 2025

As at the date of this announcement, the executive Directors are Mr. Zhang Youlian, Mr. She Wenjie and Mr. Fan Fang; the non-executive Director is Ms. Zhang Jinhua and the independent non-executive Directors are Mr. Tang Jingyan, Mr. Chen Jianping and Mr. Zhang Lei.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication.