



SHENGLONG
盛 龙

**SHENGLONG SPLENDECOR
INTERNATIONAL LIMITED**

盛龍錦秀國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)



**2025
ANNUAL REPORT**

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This report, for which the directors (the “Directors”) of Shenglong Splendecor International Limited (the “Company”) 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Sheng Yingming
Mr. Fang Xu
Ms. Sheng Sainan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Ping Cheong Brian
Mr. Ma Lingfei
Mr. Zheng Yong

AUTHORISED REPRESENTATIVES

Mr. Sheng Yingming
Mr. Chan Wai Lung

COMPLIANCE OFFICER

Mr. Fang Xu

COMPANY SECRETARY

Mr. Chan Wai Lung

AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (*Chairman*)
Mr. Ma Lingfei
Mr. Zheng Yong

REMUNERATION COMMITTEE

Mr. Zheng Yong (*Chairman*)
Mr. Ma Lingfei
Mr. Tso Ping Cheong Brian

NOMINATION COMMITTEE

Mr. Ma Lingfei (*Chairman*)
Mr. Tso Ping Cheong Brian
Mr. Zheng Yong
Ms. Sheng Sainan (appointed on 27 June 2025)

LEGAL ADVISER AS TO HONG KONG LAWS

Links Law Offices LLP

AUDITOR

Confucius International CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

China Construction Bank Corporation
Shanghai Pudong Development Bank Corporation

REGISTERED OFFICE

P.O. Box 1350
Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3201, 32/F, Alexandra House
18 Chater Road, Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 55 Shangyang Road, Yangdai Village
Jinnan sub-district, Lin'an, Hangzhou, Zhejiang, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
P.O. Box 1350
Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.splendecor.com

STOCK CODE

8481.HK

FINANCIAL HIGHLIGHTS

| | Notes | 2025 | 2024 | Changes |
|--|-------|------------------|-----------|------------|
| Results | | | | |
| Revenue (RMB'000) | | 585,736 | 585,649 | – |
| Profit before income tax (RMB'000) | | 86,965 | 55,259 | +57.4% |
| Profit attributable to owners of the Company (RMB'000) | | 75,848 | 47,513 | +59.6% |
| Earnings per share (Basic and diluted) (RMB cents) | | 17.80 | 9.87 | +7.93 |
| Financial Position | | | | |
| Non-current assets (RMB'000) | | 748,612 | 550,477 | +36.0% |
| Current assets (RMB'000) | | 398,433 | 324,439 | +22.8% |
| Non-current liabilities (RMB'000) | | 492,303 | 308,141 | +59.8% |
| Current liabilities (RMB'000) | | 325,583 | 287,944 | +13.1% |
| Total equity (RMB'000) | | 329,159 | 278,831 | +18.0% |
| Key financial ratios | | | | |
| Gross profit margin | 1 | 37.3% | 32.5% | +4.8% |
| Net profit margin | 2 | 12.9% | 8.1% | +4.8% |
| Interest coverage | 3 | 9.8 times | 5.4 times | +4.4 times |
| Gearing ratio | 4 | 1.67 | 1.37 | +0.30 |
| Inventory turnover days | 5 | 31.3 | 27.6 | +3.7 days |
| Trade receivables turnover days | 6 | 121.5 | 116.3 | +5.2 days |
| Trade payables turnover days | 7 | 60.4 | 57.9 | +2.5 days |

Notes:

- (1) Gross profit margin is calculated by the gross profit divided by the revenue and multiplied by 100.0%.
- (2) Net profit margin is calculated by the net profit attributable to owner of the Company divided by the revenue and multiplied by 100.0%.
- (3) Interest coverage is calculated by the profit before interest and tax divided by the finance costs, net (interest).
- (4) Gearing ratio is calculated based on the total bank borrowings divided by the total equity.
- (5) Inventory turnover days are calculated as the average of the beginning and ending balance of inventories divided by cost of sales and multiplied by the number of days in the year.
- (6) Trade receivables turnover days are calculated as the average of the beginning and ending trade receivables, net balance divided by revenue and multiplied by the number of days in the year.
- (7) Trade payables turnover days are calculated as the average of the beginning and ending trade payables balance divided by cost of sales and multiplied by the number of days in the year.



CHAIRMAN'S STATEMENT

Dear shareholders

On behalf of the board of Directors of the Company (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025 (the "Year").

FINANCIAL PERFORMANCE

During the Year, the Group's revenue recorded Renminbi ("RMB") 585.7 million for the Year, remains stable as compared to the year ended 31 December 2024 ("FY2024"). The Group recorded a significant increase in gross profit during the Year as the Group continuously and proactively optimises its product mix and combination, reinforces planning in the production processes and improves resources utilisation efficiency to better control production costs. The net profit of the Group recorded an increase of approximately RMB28.3 million from approximately RMB47.5 million for FY2024 to approximately RMB75.8 million for the Year.

OUTLOOK

During the Year, Guigang Shenglong Decoration Material Co., Ltd ("Guigang Shenglong") acquired the land use right of a parcel of industrial land totaling approximately 34,568.9 sq.m. (or 51.9 mu) located at Guangye Avenue and Gangcheng 3rd Road intersection, Guigang Industrial Park, Guigang City, Guangxi, China (貴港市產業園廣業大道與港城三路交叉口) for construction and operation of the factory, which will be principally engaged in the downstream business of stamping decorative paper on furniture. The construction works were completed. Guangdong Shenglong Decoration Material Co., Ltd ("Guangdong Shenglong") acquired the land use right of a parcel of industrial land totaling approximately 27,818.9 sq.m. (or 41.7 mu) located at Guangqing Industrial Park, Guangqing Special Economic Cooperation Zone, Qingyuan City (清遠市廣清經濟特別合作區廣清產業園區) for construction and operation of the factory, which will be principally engaged in the downstream business of stamping decorative paper on furniture. The construction works will be completed in the first half of 2026. Together with the construction and operation of a factory and an industry research center located at Chengdong Park of She County Economic Development Zone* (歙縣經濟開發區城東園區) in the total area of approximately 122,836 sq.m. (or 184 mu), which will be principally engaged in the manufacturing of new types of high-grade decorative paper and impregnated paper.

The above new production plants established in other industrial zones in China will be commence production and operation within the coming year. In order to satisfy the expanding demand of decorative printing material products of the Group. This is in line with the business plan of the Group and will further enhance its production capacity and flexibility to facilitate the Group's business expansion in the PRC. The Directors believe that the various manufacturing plants construction aligns with the development strategy of the Group, which will further enhance the profitability and promote the long-term sustainable development of the Group.



CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to thank the shareholders for their continued support and to extend my thanks to every management and staff at all levels for their contributions and efforts over the Year. I would also like to express our sincere appreciation to all my fellow Directors for their incisive contributions as we continue our efforts in positioning the Group and we look forward to the years ahead.

Sheng Yingming

Chairman and Chief Executive Officer

Hong Kong, 27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sales of decorative printing material products which mainly comprise of decorative paper, melamine impregnated paper and PVC flooring film. The Group served over 500 customers in both domestic and overseas markets for the Year.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately RMB585.7 million (FY2024: RMB585.6 million). The Group's revenue was mainly derived by the demand in the PRC. The demand from PRC customers remained strong and recorded approximately 71.5% of the total revenue of the Group. The revenue from overseas markets recorded a slightly increase of approximately 3.1% as compared to FY2024, which was mainly derived from the increase in demand in Indonesia and India. There were decreases in demand in the United Arab Emirates and Pakistan markets. The following table sets forth the revenues by product:

| | For the year ended 31 December | | | |
|----------------------------|--------------------------------|--------------|---------|-------|
| | 2025 | | 2024 | |
| | RMB'000 | % | RMB'000 | % |
| Decorative paper | 448,722 | 76.6 | 438,007 | 74.8 |
| Melamine impregnated paper | 109,564 | 18.7 | 117,071 | 20.0 |
| PVC flooring film | 26,667 | 4.6 | 30,340 | 5.2 |
| Others ^(Note) | 783 | 0.1 | 231 | – |
| | 585,736 | 100.0 | 585,649 | 100.0 |

Note: Others mainly include finish foil paper, laminated board and plate rollers.

Revenue from sales of decorative paper increased by approximately 2.4%, while revenue from sales of melamine impregnated paper and PVC flooring film decreased by approximately 6.4% and 12.1% respectively, on a year-to-year basis.

Cost of sales

The cost of sales decreased by approximately RMB28.1 million or approximately 7.1%, from approximately RMB395.3 million for FY2024 to approximately RMB367.2 million for the Year, which was primarily due to the decrease in production costs during the Year.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit increased significantly by approximately RMB28.2 million, or approximately 14.8%, from approximately RMB190.3 million for FY2024 to approximately RMB218.5 million for the Year, primarily due to the stable prices of production materials and the improvement in production efficiency as cost-efficient measures taken by the Company had achieved favorable results, which led to an increase in the gross profit margin for the Year to approximately 37.3% (the gross profit margin for FY2024: 32.5%).

Selling expenses

The Group's selling expenses mainly comprised (i) transportation expenses; (ii) wages, salaries and welfare of our sales staff; (iii) travelling and entertainment expenses; (iv) marketing and exhibition expenses; (v) sales commission; and (vi) other selling expenses. The selling expenses decreased by approximately RMB8.4 million or 18.2%, from approximately RMB46.2 million for FY2024 to approximately RMB37.8 million for the Year. The decrease was mainly attributable to the decrease in staff costs and commission expenses.

Administrative expenses

The administrative expenses increased significantly by approximately RMB8.8 million or 10.6%, from approximately RMB82.6 million for FY2024 to approximately RMB91.4 million for the Year. The increase was mainly attributable to the increase in salaries and welfare of our administrative staff; and increase in research and development expenses for developing new products.

Net impairment losses on financial assets

Reversal of net impairment losses on financial assets approximately RMB1.7 million was recorded for the Year, mainly arising from the expected credit loss for trade and other receivables at amortised cost. The expected credit loss was derived with reference to the payment profiles of the sales record and the corresponding historical credit losses experienced within the Year. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Other income and other gains – net

The Group's other incomes and other gains – net decreased by approximately RMB3.3 million, from approximately RMB9.0 million for FY2024 to approximately RMB5.7 million for the Year, primarily resulting from the (i) decrease in government grants income; (ii) decrease in foreign exchange gain due to the appreciation of US dollar ("USD") against RMB; and the (iii) decrease in refund for taxes and levies.

Finance costs – net

The finance costs – net decreased by approximately RMB2.8 million or 22.3%, from approximately RMB12.7 million for FY2024 to approximately RMB9.9 million for the Year. This was primarily due to the increase in the capitalization of interest expenses during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The income tax expense increased significantly from approximately RMB7.7 million for FY2024 to approximately RMB11.1 million for the Year, which was mainly due to the increase in profit before income tax during the Year.

Profit attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately RMB75.8 million for the Year as compared to a profit of approximately RMB47.5 million for FY2024, representing a significant increase of approximately 59.6% as compared to FY2024.

PROSPECTS

The Middle East war crisis, geo-political tensions and Sino-US trade conflicts would still cloud the global economy despite the emergence of positive signals. The global business environment is consistently challenging in the short run and the geopolitical uncertainties have brought increased challenges to the Group. Looking forward, the Group will be more proactively integrating into this dynamic market. The decorative printing material industry may keep on the growth track in the coming year as demand for decorative paper will increase due to the economy recovery.

To strengthen its strategy, the company is moving toward vertical integration – shifting from supplying materials to providing full solutions. The Group continued to optimize its production framework and actively enhance capacity expansion. The new manufacturing plants established in other industrial zones in China will be commence production and operation within the coming year. At the new Guigang factory, new impregnation and veneer pressing steps are being added, placing it inside the panel manufacturing cluster. This allows faster service and enables the company to offer high-value decorative wood veneers to customers. The new factory will cover key parts of the supply chain, helping the company respond quicker to the market, keep customers loyal, improve profits, and deliver long-term value to shareholders. In Guangdong, the company is adding impregnation and particleboard pressing to serve the custom furniture hub, supplying top brands directly with finished decorative panels. This deepens supply chain partnerships and helps set design trends.

As the production plant and industrial research center with a total area of about 122,836 sq.m. were established in She County, which will commence production and operation within the coming year. The Group's research and development capabilities will be further enhanced with new product mix, color pattern and specification to be developed in future. The establishment of the production plant in She County is in line with the business plan of the Group and will further enhance its production capacity and flexibility to facilitate the Group's business expansion in She County, Huangshan City, Anhui Province, the PRC. In addition, the old production plant was commenced demolition during the year and compensation was received from the government, and the relevant compensation is intended to finance the construction and operation of the production plants. The Directors believe that all the new manufacturing plants align with the development strategy of the Group, and will further enhance the profitability and promote the long-term sustainable development of the Group.

The Group will stick to its proven business strategies to maintain and strengthen its growth and performance. To sustain its well-recognised reputation in the market, the Group is exploring opportunities for expanding its business presence in the global decorative printing material market as well as developing other business partnerships that would be beneficial to the overall business development of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB398.4 million (2024: RMB324.4 million) which comprised cash and cash equivalents of approximately RMB145.1 million (2024: RMB55.6 million) and nil restricted bank deposits (2024: RMB10.3 million) as at 31 December 2025. The Group had current liabilities amounted to approximately RMB325.6 million as at 31 December 2025 (2024: RMB287.9 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.22 times as at 31 December 2025 (2024: 1.13 times).

The Group had net current assets of approximately RMB72.8 million (2024: RMB36.5 million) as at 31 December 2025, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from the date of approval for issuance of these consolidated financial statements.

As at 31 December 2025, the Group's total bank borrowings amounted to approximately RMB550.7 million (2024: RMB380.8 million), representing an increase of approximately 44.6% as compared to that of 31 December 2024. Accordingly, the gearing ratio of the Group, calculated based on the total bank borrowings divided by the total equity, was approximately 1.67 (2024: 1.37).

The Group adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the Year. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FINANCIAL RATIOS

During the Year, the inventory turnover days of the Group slightly increased to approximately 31.3 days (2024: 27.6 days). Such a slight increase was mainly attributable to the fact that the Group maintained a stable inventory level despite the decrease in cost of goods sold during the Year. The Group's inventories were steadily maintained at approximately RMB31.4 million as at 31 December 2025 (2024: RMB31.6 million).

Trade receivables turnover days of the Group during the Year slightly increased to approximately 121.5 days (2024: 116.3 days), due to the fact that the customers of the Group took a bit longer time to settle the Group's payments. Trade receivables as at 31 December 2025 decreased by approximately RMB20.4 million to approximately RMB184.8 million (31 December 2024: RMB205.2 million).

Trade payables turnover days of the Group for the Year slightly increased to approximately 60.4 days (2024: 57.9 days). The trade payables of the Group decreased to approximately RMB59.0 million as at 31 December 2025 (31 December 2024: RMB62.6 million). The Group will continue to maintain solid relationships with its suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC, but a significant portion of its sales is made to foreign countries, and thus the Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD, Euro and Hong Kong dollars. The Group regularly and closely monitors the level of foreign exchange risk exposures and will make necessary hedging arrangements to minimise its foreign currency exposure arising from the change in foreign exchange rates in the future.

As a result of appreciation of USD against RMB, the Group recorded a net foreign exchange gain of approximately RMB0.1 million during the Year, compared to a net foreign exchange gain of approximately RMB2.2 million for FY2024.

During the Year, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

INFORMATION ON EMPLOYEES

As at 31 December 2025, the Group had 440 employees (2024: 396 employees), including the executive Directors. The Group recorded staff costs (including Directors' remuneration) of approximately RMB97.5 million (2024: RMB92.9 million). Remuneration is determined with reference to market norms and the performance, qualification and experience of individual employee.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. The Group also operates a defined contributions to the Mandatory Provident Fund scheme (the "MPF Scheme") for its employees in Hong Kong and provides its PRC employees with welfare schemes (the "Welfare Schemes") as required by the applicable laws and regulations of the PRC. For the Year and FY2023, there were no forfeited contributions under the MPF Scheme and the Welfare Schemes which may be used by the Group to reduce contributions payable in the future years. Details of the MPF Scheme and the Welfare Schemes are set out in Note 2.22(a) to the consolidated financial statements of this annual report. The Group also encourages the employees to persist in on-the-job training.

MATERIAL ACQUISITIONS OR DISPOSALS

Major Transactions in relation to the Construction Contract

On 28 December 2024, Guigang Shenglong, an indirect wholly-owned subsidiary of the Company, entered into a construction contract (as supplemented by the Supplemental Agreement) with Zhejiang Capital Construction Engineering Co. Ltd. (the "Contractor"), pursuant to which the Contractor has agreed to undertake the construction works in respect of a factory of the impregnated paper and press-laminated panel located at Guangye Avenue and Gangcheng 3rd Road intersection, Guigang Industrial Park, Guigang City, Guangxi, China (貴港市產業園廣業大道與港城三路交叉口) at an aggregate contract price of RMB42.2 million (tax inclusive) (equivalent to approximately HK\$46.4 million), subject to the adjustment of the project settlement auditing.



MANAGEMENT DISCUSSION AND ANALYSIS

On 28 March 2025, Guangdong Shenglong, an indirect wholly-owned subsidiary of the Company, entered into a construction contract with the Contractor, pursuant to which the Contractor has agreed to undertake the construction works in respect of a factory of the impregnated paper and press-laminated panel located at Guangqing Industrial Park, Guangqing Special Economic Cooperation Zone, Qingyuan City (清遠市廣清經濟特別合作區廣清產業園區) at the total contract price of RMB76.0 million (tax inclusive) (equivalent to approximately HK\$83.6 million), subject to the adjustment of the project settlement auditing.

Save as disclosed above, there were no other significant investments held by the Company as at 31 December 2025, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

CHARGES ON ASSETS

As at 31 December 2025, the Group's bank borrowings that are secured by its assets were set out as below:

Land use rights with a total carrying amount of approximately RMB72.5 million (2024: RMB73.3 million) were pledged as collateral for the Group's borrowings.

Property, plant and equipment with a total carrying amount of approximately RMB184.1 million (2024: RMB244.7 million) were pledged as collateral for the Group's borrowings.

CAPITAL COMMITMENT

As at 31 December 2025, the capital commitments which the Group had contracted for but were not provided for in the consolidated financial information in respect of the acquisition of property, plant and equipment amounted to approximately RMB139.4 million (2024: RMB158.9 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2024 and 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK FACTORS FACED BY THE GROUP

The Group's key risk exposures are summarised as follows:

- (i) The Group's business, financial condition and results of operation may be affected by the decrease in or loss of overseas markets.
- (ii) The Group relies on sales agents to approach new customers and liaise with existing customers. Failure to effectively manage and maintain good relationships with the sales agents may materially and adversely affect the Group's revenue and brand recognition.
- (iii) Fluctuations in prices or unstable supply of raw materials could negatively impact the Group's operations and may affect its profitability.
- (iv) The Group does not enter into long-term supply contracts with its suppliers, so the production cost and schedule may be adversely affected if the Group fails to secure supply.
- (v) If the Group is unable to maintain existing level of utilisation rates at the production facilities, the Group's margin and profitability may be materially and adversely affected.

During the Year, there were no changes in the nature and extent of the key risks of the Group. Further details of the principal risks and uncertainties faced by the Company are set out in the section headed "Risk Factors" in the prospectus of the Company dated 30 June 2017 (the "Prospectus").

EVENT AFTER THE REPORTING PERIOD

There is no material event affecting the Group that occurred from 31 December 2025 to the date of this annual report.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sheng Yingming (盛英明) (“Mr. Sheng”), aged 62, is the chief executive officer and the chairman of the Board. He is also a director of certain subsidiaries of the Group. He founded the Group in July 1993 and has over 20 years of experience in the decorative printing materials industry. Mr. Sheng is responsible for overall management, strategic development and major decision-making of the Group.

Prior to founding the Group, Mr. Sheng worked at Lin'an Ling Long Silk Factory* (臨安玲瓏絲廠) which was primarily engaged in the manufacturing of bedding from September 1980 to July 1986, as the chief of supply and marketing section, and was primarily responsible for the procurement of raw materials, sales of products and maintaining customer relationships. During the period from August 1986 to August 1993, he was the chief of supply and marketing section at Lin'an No.2 Paper Mill* (臨安第二造紙廠), which was primarily engaged in the manufacturing of base papers, decorative papers and plates, and was primarily responsible for the procurement of raw materials, sales of products and updating the latest market trends.

He is the father of Ms. Sheng Sainan and the father-in-law of Mr. Fang Xu, both of whom are executive Directors.

Mr. Fang Xu (方旭), aged 39, was appointed as an executive Director on 23 August 2016. He is responsible for overseeing the sales and marketing activities and participating in the day-to-day management and operation of the Group. He joined the Group in June 2012 as a production assistant, who was primarily responsible for assisting the head of production department in the management of production and has been the vice general manager of Zhejiang Shenglong Decoration Material Co., Ltd (“Shenglong Decoration”) since June 2015.

Prior to joining the Group, Mr. Fang worked as a technician at Hangzhou Shenzhou Digital Co., Ltd.* (杭州神州數碼有限公司) which was an integrated IT services provider, and he was primarily responsible for the design and development of audio and video application systems from August 2010 to May 2012. Mr. Fang graduated from Hangzhou Dianzi University* (杭州電子科技大學) in the PRC with a bachelor's degree in integrated circuit design and integration system in June 2009.

He is the spouse of Ms. Sheng Sainan and the son-in-law of Mr. Sheng, both of whom are executive Directors.

Ms. Sheng Sainan (盛賽男), aged 38, was appointed as an executive Director on 23 August 2016. She is also a director of certain subsidiaries in the Group. She is responsible for the overall financial management of the Group. She joined the Group in October 2012 as a director of Shenglong Decoration and is responsible for overseeing the financial management of Shenglong Decoration. She has been a deputy manager of the financial department of Shenglong Decoration since October 2013, who was primarily responsible for financial management and financial accounting. She completed courses in financial management professional accounting option and obtained a diploma of technology from British Columbia Institute of Technology in Canada in July 2013.

She is the spouse of Mr. Fang Xu and the daughter of Mr. Sheng, both of whom are executive Directors.

* for identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Ping Cheong Brian (曹炳昌), aged 46, was appointed as an independent non-executive Director on 1 June 2018. He is responsible for providing independent advice to the Board. He is the chairman of the audit committee, and a member of the nomination committee and remuneration committee of the Company.

Mr. Tso has over 20 years of experience in accounting and financial management. From September 2003 to November 2008, he worked in Ernst & Young with last position as manager. From December 2008 to May 2010, he was the financial controller of Greenheart Group Limited (formerly known as Omnicorp Limited) (Stock code: 94). From May 2010 to August 2012, he was the senior vice president of Maxdo Project Management Company Limited. From January 2013 to present, he has been the sole proprietor of Teton CPA Company, an accounting firm.

Mr. Tso obtained his bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2003. He obtained his master's degree in corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso is currently a practising and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Chartered Governance Institute.

Mr. Tso served as an independent non-executive director of Larry Jewelry International Company Limited (Stock code: 8351) from October 2014 to September 2019, Guru Online (Holdings) Limited (Stock code: 8121) from May 2014 to May 2023 and EFT Solutions Holdings Limited (Stock code: 8062) from September 2019 to January 2024. He is currently an independent non-executive director of Huasheng International Holding Limited (formerly known as Newtree Group Holdings Limited) (Stock code: 1323) since February 2015 and Maxicity Holdings Limited (Stock code: 2295) since November 2019.

Mr. Ma Lingfei (馬靈飛), aged 67, was appointed as an independent non-executive Director on 22 June 2017. He is responsible for providing independent advice to the Board. He is the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company.

Mr. Ma, who has currently retired, was engaged in wood science and technology research before retirement. He worked as a professor at School of Engineering, Zhejiang A & F University* (浙江農林大學), and served as a deputy director of the National Engineering Research Center for Comprehensive Utilisation of Wood Resources* (國家木質資源綜合利用工程技術研究中心) where he was primarily engaged in the research of processing plate. Mr. Ma graduated from Zhejiang A & F University majoring in forestry in January 1982. He obtained a doctorate degree in agriculture from Kyoto University in Japan in November 1998. Since January 1982, Mr. Ma worked at Zhejiang A & F University as a lecturer and researcher of wood science and technology research. During the period from April 1999 to May 2002, Mr. Ma joined the Institute of Wood Technology, Akita Prefectural University in Japan as a temporary research scientist. From September 2007 to March 2008, he was a foreign visiting scholar* (招聘外國人學者) of Research Institute for Sustainable Humanosphere, Kyoto University in Japan.

* for identification purposes only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zheng Yong (鄭永), aged 53, was appointed as an independent non-executive Director on 1 June 2022. He is responsible for providing independent advice to the Board. He is the chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company.

Mr. Zheng is mainly engaged in teaching and research in the areas of accounting, taxation, higher education studies, and corporate management. Mr. Zheng was a visiting scholar at the University of Toledo in July 2011. Since June 2016, Mr. Zheng has acted as the director of the accounting department social service center* (會計學院社會服務中心) of Zhejiang University of Finance and Economics and the deputy director of Zhejiang Province College Finance and Accounting Information Contest Office* (浙江省大學生財會資訊化競賽辦公室副主任), respectively.

SENIOR MANAGEMENT

Mr. Yu Zemin (俞澤民), aged 66, is responsible for overseeing the production and participating in the day-to-day management and operation of the Group. Mr. Yu retired from his position as an executive Director and compliance officer of the Company with effect from 20 December 2019 and continues to serve the Company in the capacity of vice general manager.

Mr. Yu graduated from Zhejiang Radio & Television University* (浙江廣播電視大學) in the PRC with a diploma of party and politics cadre management foundation* (黨政管理幹部基礎) in December 1988. Prior to joining the Group, Mr. Yu worked as a ticket staff primarily responsible for the management and distribution of food stamps at the Lin'an City Chengguan Staple Food Control Office* (臨安市城關糧管所) from December 1976 to March 1978. During the period from April 1978 to October 1981, he served in the armed forces of the PRC. From October 1981 to August 2001, he was a section chief primarily responsible for the management of the local transactions for certain types of food at the Lin'an City Grain Bureau* (臨安市糧食局). He joined the Surveillance of the Commodity Price Substation of the Lin'an City Development and Reform Bureau* (臨安市發展和改革局物價檢查分局) as the chief and was primarily responsible for the supervision and administration of local prices for education and health sectors in September 2001 and retired in January 2007.

Ms. Lu Miaoling (呂妙玲), aged 46, is primarily responsible for supervising the research and development department and monitoring the development of technical projects of the Group. She joined the Group in January 1998 and she is currently the manager of the research and development department. Ms. Lu has more than 15 years of experience in the research and development of the decorative printing materials industry. Ms. Lu attended part-time adult higher education* (成人高等教育) top-up degree course* (專升本課程) majoring in accounting at Zhejiang A & F University* (浙江農林大學) in the PRC and graduated in June 2016.

COMPANY SECRETARY

Mr. Chan Wai Lung (陳偉龍), aged 49, is the company secretary of the Group. Mr. Chan is responsible for secretarial work of the Group. He was appointed as the company secretary of the Group on 30 June 2020. Mr. Chan has approximately 25 years of experience in financial and accounting management, corporate governance and compliance affairs. Mr. Chan holds a master's degree in Professional Accounting from the Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants.

* for identification purposes only



REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries include the manufacturing and sales of decorative printing material products which mainly comprise decorative paper, melamine impregnated paper and PVC flooring film. There were no significant changes in the nature of the Group's principal activities during the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 are set out in Note 11 to the consolidated financial statements.

BUSINESS REVIEW

General

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622, the Laws of Hong Kong) (the "Companies Ordinance"), including a description of the principal risks and uncertainties facing the Group and an indication of the likely future development of the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 13 of this annual report. This discussion forms part of this report of the Directors.

Environmental Policies and Compliance with Law and Regulations

The Group is committed to supporting environmental sustainability. Being a manufacturing Group in the PRC, the Group is subject to various environmental laws and regulations set out by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

A report on the environmental, social and governance aspects is prepared in accordance with Appendix C2 to the GEM Listing Rules are set out on pages 40 to 58 of this annual report.

Relationship with Stakeholders

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

SEGMENT INFORMATION

Detail of segment information are set out in Note 6 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's profit for the Year and the Group's financial position as at 31 December 2025 are set out in the consolidated financial statements on pages 66 to 131.

The Board does not recommend the distribution of a final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 30 April 2026. For determining the shareholders' entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 27 April 2026 to Thursday, 30 April 2026 (both dates inclusive), during which no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 24 April 2026.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the Year, there had been no convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries and there had been no exercise of convertible securities, options, warrants or similar rights by the Company or any of its subsidiaries.

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

During the Year, the Company has repurchased a total of 44,830,000 shares on the Stock Exchange with an aggregate amount of HK\$27,146,000 (the "Shares Repurchase"). As at the date of this annual report, no shares repurchased during the Year were cancelled and 44,830,000 shares were repurchased but not yet cancelled. Details of shares repurchased during the Year are set out as follows:

| Month of repurchase in 2025 | Number of shares repurchased | Price per share (highest) (HK\$) | Price per share (lowest) (HK\$) | Aggregated consideration paid (HK\$) |
|------------------------------------|-------------------------------------|---|--|---|
| May | 15,105,000 | 0.630 | 0.400 | 9,147,000 |
| June | 8,000,000 | 0.590 | 0.590 | 4,730,000 |
| July | 21,725,000 | 0.610 | 0.600 | 13,269,000 |



REPORT OF THE DIRECTORS

The Directors considered that the Shares Repurchase would enhance the net asset value of the Company and was in the interest of the Company and its shareholders.

The shares repurchased were retained as treasury shares for the purpose of being used for incentives for eligible participants, sale or transfer to obtain liquidity and other purposes. As at the end of the Reporting Period and the date of this report, the Company held a total of 85,250,000 Shares which have been repurchased and retained as treasury shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in Note 22 and Note 33(b) to the consolidated financial statements. As at 31 December 2025, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands was approximately RMB53.0 million (2024: RMB79.0 million).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 27 to 39 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group has complied with all relevant laws, rules and regulations during the Year and there is no material breach of or non-compliance with applicable laws, rules and regulations by the Group that has a significant impact on the Group.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 December 2025, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.



REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 51.7% of the total sales for the Year, and the sales to the largest customer included therein amounted to approximately 18.3% of the total sales. Purchases from the Group's five largest suppliers accounted for approximately 53.4% of the total purchases for the Year, and purchases from the largest supplier included therein amounted to approximately 22.8% of the total purchases.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital (excluding treasury shares)) had any beneficial interest in the Group's five largest suppliers or customers.

DIRECTORS

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

Executive Directors

Mr. Sheng Yingming (*Chairman and Chief Executive Officer*)

Mr. Fang Xu

Ms. Sheng Sainan

Independent non-executive Directors

Mr. Tso Ping Cheong Brian

Mr. Ma Lingfei

Mr. Zheng Yong

The biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this report.

In accordance with the second Amended and Restated Articles of Association of the Company (the "Articles"), Mr. Ma Lingfei and Mr. Zheng Yong will retire and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

Each Director is subject to retirement by rotation in accordance with the Articles.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, they are considered to be independent.

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience). The remuneration packages are subject to review on a regular basis.



REPORT OF THE DIRECTORS

The emoluments of the Directors are recommended by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, to the Board for determination.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in Note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and will continue thereafter subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors has entered into a service contract with the Company for a term of one year, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract and until terminated by either party giving not less than three months' written notice.

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may be brought against them. The Company has maintained appropriate insurance coverage for the Directors and officers throughout the Year and are currently in force.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the Year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

No contract of significance has been entered into among the Company, or its subsidiaries and the controlling shareholders or any of their associates during the Year.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries has been entered into during the Year.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

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

As at 31 December 2025, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong (the "SFO")) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

| Name of Director | Capacity/Nature of interest | Number of ordinary shares held | Percentage of shareholding ^(Note 2) |
|-------------------------------|---|--------------------------------|--|
| Mr. Sheng ^(Note 1) | Beneficial owner and interest in controlled corporation | 298,280,000 shares | 60.82% |

Notes:

- (1) There are 239,950,000 shares held by Bright Commerce Investment Limited ("Bright Commerce") which is wholly owned by Mr. Sheng and hence, Mr. Sheng is deemed or taken to be interested in all the shares held by Bright Commerce for the purpose of SFO.
- (2) The percentage is calculated on the basis of 490,420,000 shares in issue (including treasury shares of the Company) at the date of this annual report. For the purpose of Part XV of the SFO, treasury shares remain part of the Company's shares in issue.

Save as disclosed above, as at 31 December 2025, none of the Directors or the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2025, the following persons/entities (not being the Director or chief executive of the Company) had, or deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares held <small>(Note 1)</small> | Percentage of shareholding <small>(Note 3)</small> |
|--|--|--|--|
| Bright Commerce | Beneficial interest | 239,950,000 shares (L) | 48.93% |
| Mr. Sheng | Beneficial interest and interest in controlled corporation | 298,280,000 shares (L) | 60.82% |
| Ms. Chen Deqin <small>(Note 2)</small> | Interest of spouse | 298,280,000 shares (L) | 60.82% |

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Chen Deqin is the spouse of Mr. Sheng. She is deemed, or taken to be, interested in all shares in which Mr. Sheng is interested for the purposes of SFO.
- (3) The percentage is calculated on the basis of 490,420,000 shares in issue (including treasury shares of the Company) at the date of this annual report. For the purpose of Part XV of the SFO, treasury shares remain part of the Company's shares in issue.

Save as disclosed above, as at 31 December 2025, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person or corporation (other than the Directors and chief executive of the Company) who had any interests or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

As at 31 December 2025, as disclosed above, Bright Commerce, Mr. Sheng (including the party acting in concert with him, Ms. Chen Deqin) are core connected persons and are not members of the public pursuant to the Listing Rules; save for such interests, all other shareholders are members of the public and their aggregate shareholding represents 26.38% of the total issued shares (excluding the treasury shares) of the Company.



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 22 June 2017 (the “Share Option Scheme”). Details of the Share Option Scheme are set out in Note 23 to the consolidated financial statements in this report.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by the eligible participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

No option has been granted since the adoption of the Share Option Scheme.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

During the Year or subsisted at the end of the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of shares of the Company that will or may result in the Company issuing shares or that require the Company to enter into any agreement that will or may result in the Company issuing shares.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31 December 2025, the Company was in compliance with the minimum public float requirement under GEM Listing Rules by maintaining its public float at the level of at least 25% of its total issued shares. As at 31 December 2025, the Company's public float was 26.38% of its total issued shares (excluding treasury shares).

Shareholding Ownership as at 31 December 2025ⁱ

| Name/category of Shareholders | No. of Shares held | % of Company Shares ⁱⁱ in issue |
|---|--------------------|--|
| (a) Shareholders who are not members of “the public” under the GEM Listing Rules | | |
| Bright Commerce Investment Limited | 239,950,000 | 59.22% |
| Mr. Sheng Yingming ⁱⁱⁱ | 58,330,000 | 14.40% |
| (b) Shareholders who are members of “the public” under the GEM Listing Rules | | |
| Others | 106,890,000 | 26.38% |
| Total: | 405,170,000 | 100.00% |

i This table is compiled based on the information disclosed in the Disclosure of Interests notices (DI notices) filed under Part XV of the SFO and other relevant information received by the Company up to the date of this Annual Report and on the assumption that all such information disclosed in the DI notice or received by the Company is accurate and complete.

ii Percentage may not add up to the total amount due to rounding.

iii Mr. Sheng Yingming is director of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes, or may compete, either directly or indirectly with the businesses of the Group, as defined in the GEM Listing Rules.



REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

In order to avoid potential conflicts of interests with the Company, each of the controlling shareholders, namely Bright Commerce and Mr. Sheng, has entered into a Deed of Non-Competition (the “Deed”) in favour of the Company (for itself and for the benefits of other members of the Group) on 22 June 2017, pursuant to which they (individually or with their close associates) have undertaken, among others, not to compete with the business of the Group. Each of the controlling shareholders furthers that if he/it/she or his/its/her close associates is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it/she shall promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunities. Details of the Deed are set out in the section headed “Deed of Non-Competition” in the Prospectus.

Each of the controlling shareholders has made a written confirmation to the Board in respect of their compliance with the undertakings in the Deed since the entering into of the Deed on 22 June 2017 to 31 December 2025. Upon receiving the confirmations from the controlling shareholders, the independent non-executive Directors had reviewed the same as part of the annual review process and confirmed that the controlling shareholders had complied with the Deed during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year are set out in Note 31 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction or continuing connected transaction, which is subject to the reporting, annual review, announcement and/or shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the Year, the Group has not conducted any “connected transaction” or “continuing connected transaction” (as defined under Chapter 20 of the GEM Listing Rules) which is subject to the reporting and annual review requirements under the GEM Listing Rules.

AUDITOR

The consolidated financial statements of the Company for the Year have been audited by Confucius International CPA Limited who will retire and be eligible to offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Sheng Yingming

Chairman, Executive Director and Chief Executive Officer

27 March 2026

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Company's annual report for the Year.

The Board is committed to enhancing the standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

CORPORATE GOVERNANCE

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Code (the "Code") as set out in Appendix C1 to the GEM Listing Rules throughout the Year.

BOARD OF DIRECTORS

The Board currently consists of three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Sheng Yingming (*Chairman and Chief Executive Officer*)

Mr. Fang Xu

Ms. Sheng Sainan

Independent non-executive Directors

Mr. Tso Ping Cheong Brian

Mr. Ma Lingfei

Mr. Zheng Yong

The Board is responsible for the Company's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Pursuant to Article 108 of the Articles, at each annual general meeting one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

No corporate governance committee has been established and the Board is also delegated with the corporate governance functions.



CORPORATE GOVERNANCE REPORT

Details of the backgrounds and qualifications of the chairman of the Company and the other Directors are set out on pages 14 to 16 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. The family relationships among the Board members, if any, are disclosed under “Biographical Details of Directors and Senior Management” section in this annual report.

The Company has three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. Mr. Tso Ping Cheong Brian, Mr. Ma Lingfei and Mr. Zheng Yong are the independent non-executive Directors. All of them were appointed for a term of one year, renewable automatically for successive terms of one year commencing from the day after the expiry of the then current term of service contracts and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules. All independent non-executive Directors are identified in all corporate communications containing the names of Directors.

The Company has arranged Directors’ and officers’ liability insurance for the Directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Sheng acted as both the chairman and the chief executive officer who would provide a strong and consistent leadership to the Group and allow for more effective planning and management of the Group. Pursuant to code provision C.2.1 of Part 2 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of Mr. Sheng’s extensive experience in the industry, personal profile and critical role in the Group and the Group’s historical development, the Group considered that it would be beneficial to the business prospects of the Group that Mr. Sheng acts as both the chairman and the chief executive officer. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises of experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Training and Support for Directors

All Directors, including executive Directors and independent non-executive Directors, are encouraged to participate in continuous professional development to keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group’s businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors’ knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance code.

During the Year, each of the Directors participated in appropriate continuous professional development activities by way of attending training and/or reading materials relevant to the Group’s business, the GEM Listing Rules and directors’ duties. Training records of all Directors have been provided to the company secretary.

CORPORATE GOVERNANCE REPORT

As at the reporting date of this report, the Directors complied with Code Provision C.1.4 in the following ways:

| Director | Reading Materials | Listing rule training |
|--------------------------------|-------------------|-----------------------|
| Executive Directors | | |
| Mr. Sheng Yingming | ✓ | ✓ |
| Mr. Fang Xu | ✓ | ✓ |
| Ms. Sheng Sainan | ✓ | ✓ |
| Non-executive Directors | | |
| Mr. Tso Ping Cheong Brian | ✓ | ✓ |
| Mr. Ma Lingfei | ✓ | ✓ |
| Mr. Zheng Yong | ✓ | ✓ |

BOARD MEETINGS

For regular Board meetings, notice of at least 14 days are given to the Directors to give them an opportunity to attend. The Directors are provided with all agenda and adequate information for their review within reasonable time before the board meetings. Appropriate arrangements are in place to ensure that all Directors are given an opportunity to include matters in the agenda. During the Year, the number of Board meetings and general meetings attended by each Director is set out in the following table.

| | Number of Board meetings attended | Number of general meetings attended |
|---------------------------|---|---|
| Mr. Sheng | 2/2 | 1/1 |
| Mr. Fang Xu | 2/2 | 0/1 |
| Ms. Sheng Sainan | 2/2 | 0/1 |
| Mr. Ma Lingfei | 2/2 | 1/1 |
| Mr. Tso Ping Cheong Brian | 2/2 | 0/1 |
| Mr. Zheng Yong | 2/2 | 1/1 |

Under code provision C.1.6 of Part 2 of the Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Mr. Fang Xu and Ms. Sheng Sainan, being the executive Directors, and Mr. Tso Ping Cheong Brian, being the independent non-executive Director, were unable to attend the 2025 Annual General Meeting.

Apart from the above regular Board meetings of the Year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. For all the other Board meetings, reasonable notice are given to all the Directors.



CORPORATE GOVERNANCE REPORT

Board minutes with sufficient details of the matters considered and decisions reached are kept by the company secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the company secretary, and has the liberty to seek external professional advice if so required. The Board is responsible for maintaining an ongoing dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. The Board notes that the chairman of the Board and the chairmen or, in their absence, other members of the audit committee (“Audit Committee”), nomination committee (“Nomination Committee”) and remuneration committee (“Remuneration Committee”) of the Company should attend the annual general meeting to answer questions and collect views of shareholders.

REMUNERATION COMMITTEE

Under Rules 5.34 and 5.35 of the GEM Listing Rules, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties, the Company established a Remuneration Committee on 22 June 2017 as required under Rules 5.34 and 5.35 of the GEM Listing Rules. The current chairman of the committee is Mr. Zheng Yong, an independent non-executive Director, and the other members are Mr. Ma Lingfei and Mr. Tso Ping Cheong Brian (both are independent non-executive Directors).

The roles and functions of the Remuneration Committee include, among others, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and making recommendations to the Board for the remuneration of Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee should also consult the chairman and chief executive officer, Mr. Sheng about his remuneration proposals for the other executive Directors.

During the Year, one meeting of the Remuneration Committee was held. Details of the attendance of the meetings of the Remuneration Committee are as follows:

| | Members Attendance Times |
|---------------------------|---|
| Mr. Ma Lingfei | 1/1 |
| Mr. Tso Ping Cheong Brian | 1/1 |
| Mr. Zheng Yong | 1/1 |

During the Year, the Remuneration Committee has been provided with sufficient resources to perform its duties. The Remuneration Committee has assessed the performance of the executive Directors and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The Remuneration Committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable. The emolument policy of the Company is set out on pages 20 to 21 of this annual report. Details of the emoluments of the Directors are set out in Note 9 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT



NOMINATION COMMITTEE

The Nomination Committee was established on 22 June 2017, in compliance with Rule 5.36A of the GEM Listing Rules with specific written terms of reference which deal clearly with its authority and duties. The current chairman of the committee is Mr. Ma Lingfei, an independent non-executive Director, and the other members are Ms. Sheng Sainan, an executive Director and Mr. Tso Ping Cheong Brian and Mr. Zheng Yong, both of whom are independent non-executive Directors. The duties of the Nomination Committee include, among others, formulating nomination policies and making recommendation to the Board regarding nomination, appointment and replacement of Directors. The Nomination Committee also establishes recruitment procedures, reviews the structure, number of members and composition of the Board and assesses the independence of the independent non-executive Directors. The Nomination Committee held one meeting during the Year.

| | Members Attendance Times |
|--|---|
| Mr. Ma Lingfei | 1/1 |
| Mr. Tso Ping Cheong Brian | 1/1 |
| Mr. Zheng Yong | 1/1 |
| Ms. Sheng Sainan (appointed on 27 June 2025) | 0/0 |

The Nomination Committee considers the past performance, qualification, general market conditions and the Articles in selecting and recommending candidates for directorship during the Year. The Nomination Committee has been provided with sufficient resources to perform its duties during the Year.

NOMINATION POLICY

The Board has adopted a nomination policy (the “Nomination Policy”) which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategies;
- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;



CORPORATE GOVERNANCE REPORT

- In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the GEM Listing Rules;
- The board diversity policy (“Board Diversity Policy”) and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- Such other perspectives appropriate to the Company’s business.

These factors are for reference only, and are not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

Appointment of New Director

- The Nomination Committee shall, upon receipt of the proposal on appointment of new Director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;
- If there is more than one desirable candidate, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
- The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship; and
- For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Re-election of Director at General Meeting

- The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance at Board meetings and, where applicable, general meetings, and his/her level of participation and performance on the Board and the Company’s business;
- The Nomination Committee shall also review and determine whether the retiring Director continues to meet the selection criteria as set out above; and
- The Board, with the recommendation from Nomination Committee, shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board adopted the Board Diversity Policy in accordance with the requirement set out in the Code. Such policy aims to set out the approach to achieve diversity on the Board.

The Nomination Committee is responsible for: (i) reviewing the Board Diversity Policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members; (ii) reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy; and (iii) monitoring the progress on achieving the measurable objectives.

The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy on an annual basis to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

As at the date of this annual report, the Board consists of five male members and one female member, aging from 38 to 67 years old. Based on the membership and composition of the Board, the Nomination Committee is of the view that the Board has achieved the measurable objective of at least one female director, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation. The Board will strive to enhance its female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectations. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and the Group is committed to providing career development opportunities for female staff. A detailed breakdown of employees by gender and age group as at 31 December 2025 is set out on page 48 of this annual report.

DIVIDEND POLICY

The Board adopted the dividend policy ("Dividend Policy") in accordance with the requirement set out in the Code. Such policy aims to set out the approach to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. In view of this, the dividend payout ratio shall be determined by the Board from time to time. Such declaration and payment of dividends shall remain to be recommended by the Board. In addition, any final dividend for a financial year will be subject to shareholders' approval. The remaining net profit will be used for the Group's operations and development.

The Company's ability to pay dividends will depend upon, among other things, the Company's current and future operations, corporate development plans, liquidity position, capital requirements and future expected capital needs, as well as dividends received from the Company's subsidiaries and associates. The payment of dividends is also subject to any restrictions under the relevant laws, rules and regulations and subject to the Articles.

The Dividend Policy reflects the Company's current views on the financial and cash-flow position of the Group prevailing at the time of its adoption. The Board will continue to review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time as part of its commitment to maximising shareholder value, taking into consideration the financial performance of the Company and market conditions. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

On 22 June 2017, the Company established an Audit Committee with written terms of reference in compliance with Rules 5.28, 5.29 and 5.33 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of Part 2 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management systems of the Group and provide advice and comments on the Group's draft annual reports and accounts, half year reports to Directors. The Audit Committee comprises of three members, all of whom are independent non-executive Directors. The current chairman of the committee is Mr. Tso Ping Cheong Brian and the other members are Mr. Ma Lingfei and Mr. Zheng Yong.

The Audit Committee held three meetings during the Year. Full minutes of the Audit Committee have been kept by the company secretary. Details of the attendance of the Audit Committee meetings are as follows:

| | Members Attendance Times |
|---------------------------|---|
| Mr. Tso Ping Cheong Brian | 2/3 |
| Mr. Ma Lingfei | 3/3 |
| Mr. Zheng Yong | 3/3 |

The Group's unaudited interim results and audited annual results for the Year have been reviewed by the Audit Committee during the Year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. During the Year, the Audit Committee has been provided with sufficient resources to perform its duties.

COMPANY SECRETARY

Mr. Chan Wai Lung was appointed as the company secretary of the Company on 30 June 2020. The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" in the annual report. According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Chan has confirmed that for the Year, he has taken no less than 15 hours of relevant professional training.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 9(a) to the consolidated financial statements.

Pursuant to code provision E.1.5 of Part 2 of the Code, the remuneration payment of the members of the senior management (other than the Directors) of the Group for the Year falls within the following band:

| | Number of Individuals |
|---------------------------|----------------------------------|
| RMB2,000,000–RMB3,000,000 | 2 |

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

During the Year, the fees charged by Confucius International CPA Limited for audit services of the Group amounted to approximately RMB900,000. No non-audit service was provided by Confucius International CPA Limited during the Year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial year under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgments and estimates that were prudent, fair and reasonable.

The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Group, Confucius International CPA Limited, about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 59 to 65 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group does not have an internal audit function. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time.

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Company. The Company has therefore made continuous efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Company is able to safeguard its assets and protect the interests of its shareholders.



CORPORATE GOVERNANCE REPORT

Main features of the risk management and internal control systems

To ensure the efficient and effective operation of the Company's business, relevant internal control procedures have been adopted for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for publication. The procedures are reviewed by the Board from time to time and updated when necessary.

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

The Board had conducted one annual review on the effectiveness of the Group's internal control and risk management systems during the Year which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud, significant control failings or weaknesses, or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system. The Board expects that a review of the risk management and internal control systems will be performed annually.

CORPORATE GOVERNANCE REPORT

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The U.S. government and other jurisdictions or organisations, including the European Union, the United Nations and the Australian government, have comprehensive or broad economic sanctions targeting the Sanctioned Countries (Note 1) and Sanctioned Persons (Note 2).

Note 1 – Sanctioned Countries are those countries or territories subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the U.S., the European Union, the United Nations and Australia.

Note 2 – Sanctioned Persons are certain person(s) and entity(ies) listed on the United States Department of Treasury's Office of Foreign Assets Control ("OFAC") Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the European Union, the United Nations or Australia.

The Board had effectively monitored and evaluated the Group's business exposure to sanctions risk, including assigning senior staff to review and approve all relevant business transaction documents from customers or potential customers from Sanctioned Countries and Sanctioned Persons. The designated staff reviewed information relating to the counterparty of the contract (such as identity, nature of business, etc.) along with the draft business transaction documentation. The designated staff checked the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in any of the Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from external legal counsel with necessary expertise.

During the Year, the Board had conducted a review of the effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries or Sanctioned Persons. During the Year and up to the date of this annual report, none of the products of the Group were sold to any Sanctioned Countries.

AUDITOR

During the Year, the performance of the external auditor of the Company has been reviewed and the Board proposed to put forward a resolution to re-appoint Confucius International CPA Limited as the external auditor in the forthcoming annual general meeting.



CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the Year, the Company has disclosed all necessary information to the shareholders and investors in compliance with the GEM Listing Rules and uses a number of formal communications channels to communicate with shareholders and investors of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) timely replies to the enquires from shareholders; (iv) updated and key information of the Company available on the website of the Company; (v) the Company's website offering communication channel between the Company and its shareholders and investors; and (vi) the Company's Hong Kong branch share registrar and transfer office providing services to the shareholders regarding all share registration matters. The Board reviewed the Group's shareholders' communication activities conducted during the Year and was satisfied with the implementation and effectiveness of the shareholders' communication policy. The Board will regularly review such policy to ensure its effectiveness. In addition, the Company will continue to promote investor relations and enhance communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to article 64 of the Articles, shareholder(s) holding not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings may make a request in writing for the convening of an extraordinary general meeting and the Board shall convene an extraordinary general meeting within two months of such requisition.

All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal place of business in Hong Kong located at Room 3201, 32/F, Alexandra House, 18 Chater Road, Central, Hong Kong by post or by email to sljx@splendecor.com.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company by addressing them to the principal place of business of the Company in Hong Kong located at Room 3201, 32/F, Alexandra House, 18 Chater Road, Central, Hong Kong by post or by email to sljx@splendecor.com.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the Year.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to inside information.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has formulated inside information policies and disclosed its policies on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group regularly reminds the Directors and employees about due compliance with all policies regarding inside information, as well as keeps them apprised of the latest regulatory updates.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant changes in the constitutional document of the Company.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board will endeavor to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code introduced by the Stock Exchange.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is our annual Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) for 2025, which discloses the policies, actions and performance of the Group involved in sustainability in a transparent and open manner, so as to boost the confidence of the stakeholders in the Group and deepen their understanding about the Group.

REPORTING YEAR

All information provided in this report covers the period from 1 January 2025 to 31 December 2025 (“Reporting Period” or “FY2025”), which is consistent with the financial year of the Group’s 2025 annual report.

SCOPE OF THIS REPORT

This ESG Report focuses on ESG matters prioritised by the Group in relation to the Company and its principal subsidiaries as listed in Note 11 to the consolidated financial statements. Entities included in this ESG Report covers the major operating segment of the Group. Unless otherwise specified, the scope of this ESG Report is the same as last year.

BASIS OF PREPARATION

This report is prepared in compliance with the “Environmental, Social and Governance Reporting Code” of the Stock Exchange as set out in Appendix C2 to the GEM Listing Rules (hereinafter referred to as the “ESG Code”), the description of which sets forth the ESG performance of the Group in a simplified form. The Group has complied with the mandatory disclosure requirements and “comply or explain” provisions set out in the ESG Code.

Information as contained in this report is derived from the statistics and analytical results of the Group.

REPORTING PRINCIPLES

The content of this annual ESG Report follows the reporting principles of the ESG Code.

Materiality: To reflect the application of the principle of materiality, the Group carried out a materiality assessment of the Reporting Period through internal discussion and consultation with various stakeholders. For details, please refer to the section headed “Materiality Assessment” of this ESG Report.

Quantitative: Environmental and social measurable key performance indicators (“KPIs”) of this ESG Report are organised and disclosed in a quantitative manner to ensure that stakeholders can have a deep understanding of the Group’s ESG performance.

Balance: This ESG Report is based on an objective and impartial manner to ensure that the information provided reflects the Group’s overall ESG performance. Data comparisons have been provided to formulate an unbiased comparison of the ESG performance from time to time.

Consistency: Unless otherwise stated, the Group’s disclosure and statistical methods are consistent with financial year 2023. The Group believes that the consistency and coherence of reporting structure would be beneficial for meaningful comparison.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



INTRODUCTION

The Group is principally engaged in the manufacturing and sales of decorative printing material products. The Group has been active in this industry for over 23 years. In addition to its sophisticated equipment and advanced production lines, the Group always persists in following the principle of “Quality First and Customer First” by continuously transforming and introducing high-tech printing equipment to improve its production efficiency and quality.

The Group stresses the importance of technological innovation, research and development, which is validated by the various invention patents and design patents over the years. Operating business under the brand SPLENDECOR, the Group has successfully developed a series of novel and environmental decorative materials, including finish foil paper, decorative paper, melamine impregnated paper and PVC decorative films, and has offered colour scheme solutions based on customer requirements. The Group’s products, which are sold throughout the world, are widely used in various areas, including furniture, cabinets, framework, door panels, fire proof boards, melamine boards, chip boards, density boards and floorboards.

By always adhering to the corporate spirit of “responsibility, honour, innovation and improvement”, the Group strives to develop green business focusing on environmental decorative materials. With the aim to achieve customer satisfaction and to uphold the standards of health, safety and environmental protection, the Group is committed to carrying out its corporate mission of “Creating Customer Values, Developing Opportunities for Employees, Providing Better Places to the Communities, and Maintaining the Natural Harmony”.

ESG GOVERNANCE STRUCTURE

Assuming the ultimate responsibility for all the ESG strategies, management, performance and reporting, the Board takes the lead and has the oversight of the Group’s ESG issues. The Board examines and approves the Group’s ESG objectives, strategies, priorities, targets and goals, as well as the related policies and frameworks. The Board also ensures the effectiveness of ESG management and internal control mechanism. This ESG Report has undergone the internal review process of the Group and was approved by the Board.

The Group’s business and functional departments also help with the implementation of relevant strategies in their respective areas and monitoring the effectiveness of the ESG strategies and/or policies. Meetings are arranged regularly to evaluate the effectiveness of the current policies and procedures and develop appropriate solutions to improve the overall performance of the Group’s ESG policies. The Group’s business and functional departments report to the Board periodically and assist the Board to discharge its oversight ESG responsibilities. The implementation of the Group’s ESG strategies also relies on the support of designated personnel from various departments who are responsible for ESG-related data collection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

Based on the experience and frequency of relevant business management personnel's responses to customers, as well as the experience and frequency of consultations and interactive communications between external bodies and in-house employees, the Group filters and selects six major categories of stakeholders, which are identified government/regulatory bodies, investors/shareholders/media, customers, employees, communities and suppliers.

| Major Stakeholders | Communications Channel | Aspects in concern |
|-------------------------------------|---|---|
| Government/regulatory bodies | Due submission Inspection of compliance | Compliance with laws and regulations Corporate governance |
| Investors/shareholders/media | Information disclosed on the websites of the Company and the Stock Exchange General meetings Road shows | Market image Corporate governance Economic performance |
| Customers | Business visits Liaison through e-mail and telephone Regular meetings | Product quality Product management Environmental management |
| Employees | Training Employees' opinions and complaints Publications for employees | Safety Employee benefits Labour rights |
| Communities | Volunteer activities Sponsorship for public welfare events in communities Interviews | Emissions Social responsibility Community activities |
| Suppliers | Business visits Liaison through e-mail and telephone Regular meetings | Supply management and requirements Operating conditions |

The Group will continue to communicate with stakeholders, improve the social responsibility management system, and further enhance the Group's performance in respect of environmental, social and governance aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group believes that sound ESG performance is important to the Group's sustainable business development and the whole community. With the assistance of an independent third-party consultant in 2018, the Group started identifying each of the material issues in respect of environment, society and governance that might affect the Group's businesses or stakeholders. The Group is committed to protecting and improving the ecological environment and social factors and minimising the impact of its activities on the environment. Throughout the stakeholder engagement exercise, the Group's management has assisted the Board to review its operations, identify key ESG issues and assess the importance of these issues to its businesses and stakeholders. It is the Group's policy to promote environmentally friendly operation, thereby gradually achieving the coordinated development of the Group, the environment, and the society. All identified material ESG issues, including environmental protection, climate change, employment and labor practices, product responsibility, and community investment, have been disclosed in this ESG Report. The Group will keep creating value for stakeholders and supporting charities and environmental protection.

ENVIRONMENTAL PROTECTION

Emissions

In accordance with the national laws of the PRC, including the Environmental Protection Law* (《環境保護法》), the Law on the Prevention and Control of Air Pollution* (《大氣污染防治法》), the Law on the Prevention and Control of Environmental Pollution by Solid Waste* (《固體廢棄物污染環境防治法》), the Law on the Prevention and Control of Water Pollution* (《水污染防治法》), as well as local rules and regulations, including Zhejiang Ordinances on the Prevention and Control of Air Pollution* (《浙江省大氣污染防治條例》), Zhejiang Ordinances on the Prevention and Control of Water Pollution* (《浙江省水污染防治條例》), and Zhejiang Ordinances on the Prevention and Control of Environmental Pollution by Solid Waste* (《浙江省固體廢棄物污染環境防治條例》), the Group has established the "Integrated Management System for Exhaust Gases", "Integrated Management System for Wastewater", and "Management System for Solid Waste", the purposes of which are regulating the management of production activities, domestic exhaust gases, wastewater and solid waste, preventing water and soil pollution, minimising environmental impacts on the surroundings and protecting and improving the environment.

To dispose wastewater, the Company adopts measures to separate drainage and sewage, under which, raindrops, production sewage, and domestic sewage at the preliminary stage will be transported in separate pipelines to its self-constructed sewage treatment station for treatment. Wastewater that is in compliance with the emission standard under the Integrated Wastewater Discharge Standard (GB8978-1996)* (污水綜合排放標準) and the corporate standards set by Hangzhou Lin'an Wastewater Discharge Limited* (杭州臨安排水有限公司) will be directed to the municipal sewage pipeline. Hangzhou Lin'an Wastewater Discharge Limited will carry out subsequent treatment processes.

To dispose hazardous waste, electroplating sludge generated each year is delivered to a qualified recycling company for hazard-free treatments. Non-hazardous waste is also collected and handled by the recycling company.

To dispose exhaust gases, the Company installs exhaust gases collecting devices for production equipment that generates exhaust gases. The exhaust gases so collected will be transported to an exhaust gas treatment facility in a pipeline network, the discharge concentration level and speed ratio of which will meet the Integrated Emission Standard of Air Pollutants (GB16297*-1996)* (大氣污染物綜合排放標準).

* for identification purposes only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Every year, the Group appoints the relevant qualified third-party inspection and testing body to conduct inspection and testing over exhaust gases, sewage and noise to ensure that all emission levels are in compliance with the limitation requirements under the Integrated Emission Standard of Air Pollutants (GB16297-1996) and the Integrated Wastewater Discharge Standard (GB8978-1996). During the Reporting Period, none of the Group's plants reported non-compliance of the relevant environmental laws and regulations. During the Reporting Period, the total amount of non-hazardous waste and its intensity were 704.7 tonne and 0.0012 tonne/Revenue RMB'000 (2024: the amount of non-hazardous waste and its intensity were 542.0 tonne and 0.00093 tonne/Revenue RMB'000) and the total amount of hazardous waste and its intensity were 34.5 tonne and 0.000059 tonne/Revenue RMB'000 (2024: the amount of hazardous waste and its intensity were 36.0 tonne and 0.000061 tonne/Revenue RMB'000), respectively. Committed to reducing emission and promoting resources conservation, the Group has set a target to reduce the intensity of hazardous waste and greenhouse gas emissions of the Group ("GHG Emission") and the other major air pollutants emission gradually throughout financial year 2026 ("FY2026") by 5% as compared to FY2025. In order to achieve the target, the Group endeavour to reduce and replace the use of toxic and hazardous substances in its manufacturing and operational activities.

The GHG Emission mainly discharged from its self-owned vehicles and indirect energy consumed by the Group for its daily operations, including electricity, natural gas, petrol and diesel.

Major air pollutants emission during the Reporting Period and the corresponding period in 2024 are as follows:

| Air Pollutant Emission | | |
|------------------------|-----------------------------|-----------------------------|
| Type of Air Pollutants | Air Pollutant Emission (kg) | Air Pollutant Emission (kg) |
| | 2025 | 2024 |
| Sulphur dioxide | 566.8 | 508.7 |
| Nitrogen oxides | 2,097.6 | 1,882.8 |
| Particulate matter | 1.5 | 1.3 |

The GHG emission from the operation during the Reporting Period and the corresponding period in 2024 are set out below:

| GHG Emission | | |
|----------------------------|---|---|
| Type of GHG emissions | Equivalent CO ₂ emission (tonne) | Equivalent CO ₂ emission (tonne) |
| | 2025 | 2024 |
| Scope 1 Direct emissions | 145.9 | 145.9 |
| Scope 2 Indirect emissions | 6,442.5 | 5,782.7 |
| Total | 6,588.4 | 5,928.6 |
| Intensity | 0.011 tonne/Revenue RMB'000 | 0.010 tonne/Revenue RMB'000 |

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Notes: The calculation of the greenhouse gas is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard 2024.

Scope 1: Direct emission from vehicles that are owned by the Group in the PRC

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group in the PRC

Scope 3: is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group

Use of resources

In addition to formulating the “Control Procedures for Energy Conservation and Efficient Consumption”, the Group adopts various measures to reduce the level of resources consumed during its business operations.

The Group strives to conserve energy and raw materials by setting a target to achieve a 5% reduction in total energy and raw material consumption by FY2026, using FY2025 as the baseline year. While creating a production plan, the Group aligns orders that consume the same paper for centralised production in order to reduce the number of times on machinery and equipment are powered on. As a result, the utilisation rate of energy and raw materials will be increased. In respect of transportation, the Group’s plant sites also align orders in close proximity for transportation in the same vehicle to reduce the number of commutes, which will further reduce fuel consumption.

Furthermore, the Group also sets a target to achieve 5% reduction in water consumption by FY2026, using FY2025 as the baseline year. The Group installs water metres to facilities that require water consumption so that water consumption of the facilities can be monitored. If there is any abnormal water consumption, the environmental protection department, together with concerned departments, shall investigate into the causes and take corrective and precautionary measures accordingly.

Overview of environmental performance indicators for various natural resources

| | Unit | 2025 Total Amount | 2024 Total Amount |
|--------------------------------|-----------------------|----------------------|----------------------|
| Total water consumption | Tonne | 126,176 | 110,984 |
| Water Intensity | Tonne/Revenue RMB'000 | 0.22 | 0.19 |
| Electricity | kWh | 6,951,970 | 6,240,030 |
| Natural gas | m ³ | 2,929,272 | 3,026,157 |
| Petrol | L | 9,890 | 10,090 |
| Diesel | L | 38,530 | 38,525 |

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The Group's product packaging materials comprise packaging paper, plastic films, paper core barrels and paper spools, etc. The Group utilises various packaging materials reasonably and effectively to reduce environmental impacts.

| Major packaging materials | Unit | 2025 Total Amount | 2024 Total Amount |
|---------------------------|----------|----------------------|----------------------|
| Packaging paper | kilogram | 712,491 | 519,866 |
| Plastic films | kilogram | 78,756 | 68,844 |
| Paper core barrels | kilogram | 145,503 | 144,200 |
| Paper spools | kilogram | 36,544 | 36,310 |

Environmental and natural resources

The Group is committed to minimising environmental impacts brought by its corporate activities in a responsible manner, and utilising its resources and efforts in concert with all employees to make contributions to environmental protection. On one hand, the Group enhances environmental promotions among its employees to raise their environmental awareness, and encourages them to adopt environmental practices. On the other hand, the Group designs sustainable workplaces. Furthermore, the Group manages its resources in a responsible manner, for example, using steam condensate as a supplement to its fire-fighting water to reduce the discharge of sewage and installing exhaust gas processing facilities to reduce waste emissions. For the purpose of reducing the discard of chemical packaging barrels, the Group entered into agreements in respect of the recycling of chemical packaging barrels with related suppliers with our best efforts to minimise the environmental impacts.

Green office

The Group actively promotes the environmental practices of low-carbon office operations by encouraging its employees to conserve water, power, use of paper and other office supplies in daily office activities, as well as encouraging its employees to upload and share documents and materials through the internet, instant messaging software and other electronic communications means to reduce unnecessary printing.

Besides these practices, the Group implements the following measures to reduce waste of resources and carbon emissions:

- To reduce energy consumption used for the standby mode of computers, printers, photocopy machines, and other office equipment;
- To enhance its energy consumption management of air-conditioners;
- To improve its management of lighting power, such as selective lighting in bigger offices;

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- To fully utilise the video-based conference system;
- To promote the recycling of the office paper and other resources and reduce use of disposable paper cups;
- To improve the utilisation rate of its business vehicles by picking up passengers who are in close proximity, and providing regular maintenance to reduce fuel consumption.

Climate change

The Group aims to enhance its climate change preparedness and resilience by duly identifying and assessing the climate-related risks that might pose significant impacts on its business operation. During the Reporting Period, the Board has conducted a regular review to identify climate-related risks and evaluate the potential financial and operational impacts. With reference to the recommendations of the Task Force on Climate related Financial Disclosures framework, the climate-related risks that may affect the Group and the corresponding mitigation measures are as follows:

Physical Risks

Risk: The changes in weather patterns such as level of precipitation and the temperature as well as higher frequency and intensity of extreme weather events may have adverse impacts on the Group' manufacturing and operational activities, which may in turn affect the Group's ability to meet customers' demand thus affecting the Group's business operations and ultimately affecting the Group's relationship with customers.

Mitigation measures: The Group has established contingency measures that encompasses a variety of weather-related events to reduce the resilient risk. The Group also provides training to its employees on how to deal with extreme weather events.

Transition Risks

Risk: Policy changes regarding carbon emission restriction, carbon pricing and reporting obligations may increase the Group's operating costs. The Group is expected to replace its equipment with higher efficiency model to reduce the use of electricity, natural gas, petrol and diesel.

Mitigation measures: In an attempt to reduce carbon emissions, the Group actively promotes the environmental practices of low-carbon office by encouraging its employees to conserve water, power, use of paper and other office supplies in daily office activities. For details, please refer to the section headed "Environmental and natural resources – Green office" of this ESG Report.

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ABOUT THE EMPLOYEES

As at 31 December 2025, the Group had a total number of 440 employees (2024: 396 employees) including 1 senior management male staff located in Hong Kong and the remaining located in the PRC. As the plant site in Lin'an is principally engaged in production activities and most production related positions require massive physical labour, male employees outnumbered female employees.

Below is a detailed breakdown of full time employees by gender and age group as at 31 December 2025 and 2024:

| | 2025 | | 2024 | |
|---------------------|-----------------|------------|-----------------|------------|
| | Number of staff | % of total | Number of staff | % of total |
| By gender | | | | |
| Male | 335 | 76 | 301 | 76 |
| Female | 105 | 24 | 95 | 24 |
| Total | 440 | 100 | 396 | 100 |
| By age group | | | | |
| Under 30 | 148 | 34 | 137 | 35 |
| 31–50 | 241 | 55 | 215 | 54 |
| 51 or above | 51 | 11 | 44 | 11 |
| Total | 440 | 100 | 396 | 100 |

Below is a detailed breakdown of our employees' turnover rate by gender and age group as at 31 December 2025 and 2024:

| | 2025 | 2024 |
|-----------------------------------|------|------|
| Turnover rate by gender | | |
| Male | 44% | 46% |
| Female | 17% | 25% |
| Turnover rate by age group | | |
| Under 30 | 82% | 82% |
| 31–50 | 15% | 17% |
| 51 or above | 18% | 30% |

The Group's plant sites treat men and women equally by offering the same fringe benefits and remuneration packages for the same position. During the Reporting Period, the Group's plant sites did not have any non-compliance with the laws and regulations governing employment and labour.

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Working hours and rest periods

The working hours and rest periods of every employee are set out in the employment contract, which are in compliance with the local employment laws and regulations, including “Provisions of the State Council on Employee’s Working Hours”* (《國務院關於職工工作時間的規定》). On top of basic paid annual leave and statutory holidays, employees are entitled to additional leave benefits, such as sick leave, marriage leave, maternity/paternity leave etc.

Welfare and benefits

The Group cares about the physical and mental health of its employees and provides employees with regular health checks. By providing a full-range health service platform for employees, the Group maintains the health level of its employees with precautions against the spread of diseases, thus ensuring the healthy conditions of employees.

The Group offers employees an extensive range of fringe benefits, including lucky money or festive gifts to employees on Chinese New Year, Mid-Autumn Festival, Women’s Day, and other statutory holidays. Furthermore, the Group extends such benefits packages to the family members and relatives of employees, such as birthday blessings to the parents of employees.

Compensation and dismissal

The Group’s human resources department regularly reviews the internal policies and compensation packages to ensure compliance with the latest relevant laws and regulations. According to the remuneration policy, fair and competitive remuneration packages are offered to its employees. The remuneration packages will be reviewed periodically in view of the competitive labour market as well as to show recognition to staff with outstanding performance.

Further, the Group ensures that any termination of the employment contract is based on reasonable and lawful grounds. The Group’s internal policies regulate the procedures for dismissal of employees which strictly prohibit any kind of unfair or unreasonable dismissals. For employee who has committed gross misconduct or fails to improve himself/herself after the Group’s repeated warning, the Group will terminate the employment relationship with the relevant employee with or without prior notice.

Recruitment and promotion

Overseen by its human resources department, the Group’s recruitment and promotion matters are strictly aligned with the principles listed in the human resources policies manual. Having made high commitment to local employment, all of the Group’s job postings are opened to local candidates. In view of the fierce market competition, the Group ensures its talent acquisition, retention and promotion are fair and transparent according to its remuneration policy.

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Equal opportunity, diversity and anti-discrimination

The Group is committed to providing a workplace which supports and motivates its employees. In compliance with the Group's human resources policies manual, the Group strives to promote a working environment without any prejudice or discrimination based on nationality, race, religion, age, gender, pregnancy, family status, disability, or any other non-job related factors.

Prioritising safety based on precautions

The Group places a high emphasis on the workplace safety of our employees to prevent any physical injury. In particular, the Group stresses the importance of various safety measures implemented in production workshops and provides effective induction training to employees along with safety promotions and instructions, risk management, first aid and other related work. Furthermore, the Group organises regular safety drills, including fire drills. The Group always emphasises the idea of "prioritising safety based precautions".

Caring a healthy amateur life

As a production-driven enterprise, it is important for the Group to ensure the occupational health and safety of employees. In compliance with the industry standards and the statutory requirements under the Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the Group is committed to providing employees with a healthy and safe workplace in the course of its business. On one hand, the plant sites provide employees with personal protective equipment based on their various positions. For example, printer operators are provided with dust-proof masks and earplugs, while ink production specialists are provided with toxic-proof masks and gloves. On the other hand, the plant sites organise regular safety education programs for employees to raise their safety awareness over the course of production activities. In addition, the plant sites organise fire drills and fire safety training every year to enhance the fire safety awareness of employees.

The Group cares about the physical and mental health of employees and provides employees with regular health checks. By providing a full-range health service platform for employees, the Group maintains the health level of its employees with precautions against the spread of diseases, thus ensuring the healthy conditions of employees. During the Reporting Period, the Group arranged 609 health checks for its employees (2024: 396).

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Overview of health and safety performance indicators

| | 2025 | 2024 |
|---|--|--|
| Number of injuries | 22 | 22 |
| Injury description | Mainly cuts and scratches | Mainly cuts and scratches |
| Workplace injury rate per 100 employees | 5.0% | 5.6% |
| Total hours of absence | 338 | 581 |
| Percentage of workday loss due to workplace injuries | 0.02% | 0.04% |
| Corrective measure to prevent reoccurrence of the same accidents | To raise the safety awareness of employees through enhanced safety training programs | To raise the safety awareness of employees through enhanced safety training programs |

During the Reporting Period, the Group found no material occupational health and safety incident.

During the past three years including the Reporting Period, there was no work-related fatalities occurred in the Group.

Valuing talents through education and training

The Group pays attention to the career development of its employees by establishing a full-fledged education and training system. Under such system, all of its employees are encouraged to engage in on-the-job training. Furthermore, the Group strives to create growth opportunities for talented employees through education and training that will boost individual capabilities, sharpen workplace skills and enhance teamwork performance.

Overview of training and development performance indicators for 2025

| | | Managerial staff <small>(Note)</small> | General Staff | Total percentage of trained employees |
|--|--------|--|---------------|---------------------------------------|
| Percentage of trained employees | Male | 60% | 54% | 46% |
| | Female | 30% | 17% | |

Note: managerial staff includes senior management and middle management.

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During the Reporting Period, the average training hours per employee is approximately 18 hours. The breakdown of the average training hours completed per employee by gender and employee category are as follows:

| | | Managerial staff | General Staff |
|--------------------------------|--------|------------------|---------------|
| Average training hours (hours) | Male | 45 | 18 |
| | Female | 45 | 18 |

Besides, the Group operates a fresh graduate cultivation scheme that is conducive to the smooth and effective adaptation of fresh graduates to the workplace, enabling them to recognise the shift in their social role and adjust their attitude on their path to career development.

Labour standards

The Group fully recognises that child labour and forced labour violate basic human rights and the International Labour Convention, which will pose a threat to the sustainability of communities and economic growth.

Therefore, the Group is in strict compliance with the provisions that prohibit the use of child labour and safeguard human rights. In addition, the Group prohibits any form of forced labour or child labour.

Over the course of recruitment, employees are required to provide the Group with their identification documents to verify whether they meet the statutory age of 18 years old. Once the Group has identified any cases of forced labour or child labour, the relevant employment contract will be immediately terminated and the relevant employees responsible for the management of human resources will be disciplined accordingly. A report will also be made to the supervisory authority when the senior management considers it necessary. If there is any overtime work at the plant sites, the management is required to ensure that the employees take up overtime work on a voluntary basis rather than being forced. If any employee is forced to work overtime, the employee representative may collect evidence and communicate with the management to seek viable solutions.

Overtime payments are made in accordance with the standards as prescribed by law in case of workday overtime, weekend overtime, and overtime during national and statutory holidays.

During the Reporting Period, the Group's plant sites in Lin'an found no violation against the laws and regulations governing the prevention of child labour or forced labour.

Diverse communications channel

The employees and management of the Group may engage in horizontal or vertical communications through its diverse communication channels, including complaint box, e-mail, routine meetings or announcements. Specified staff are designated to handle complaints lodged inside the complaint box on confidential terms.

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OPERATING PRACTICE

Supply chain management

During the course of selecting potential suppliers, the procurement department is required to analyse their competitiveness, and identified suppliers will be further approved by the production department of the plant sites and other related departments following their consensus. In this case, the supplier will become a member of the qualified supplier list of the Group.

In accordance with the requirements under the ISO 9001:2015 quality management system, the Group establishes the selection and assessment standards, and investigates into the operating conditions, the quality management system, production capacities, services, implementation of effective environmental and safety management system and delivery capabilities of these suppliers, the findings derived from which serves as the bases for selecting strategic suppliers. By introducing a regular assessment scheme, the Group conducts regular reviews and inspections over the performance of its suppliers in various aspects. The Group's regular assessment indicators cover quality, pricing, delivery schedule, services, etc. for the purposes of achieving risk control over the supply chain. In order to identify and minimise the environmental and social risks along the supply chain, the Group requires all its suppliers to monitor and control potential social and environmental risks within the acceptable range under the national and industrial standards. The Group's management team may conduct on-site visits to inspect and monitor the environment, health and safety conditions of the suppliers. Persisting in its stringent approval system for all strategic suppliers, the Group will promote the quality management of its suppliers of raw materials and green management, while timely disqualifying unfit suppliers. During the Reporting Period, the Group had a total of approximately 400 suppliers all of which are in the PRC, the above selection and assessment standards are universally applicable to all suppliers. To ensure that the Group's purchase of products and services does not induce significant environmental impacts and social costs, environmental and social considerations are among the priority considerations during the supplier selection process of the Group. The Group is committed to green procurement to carry out sustainable development in the Group's operating model. During the procurement process, the Group prioritises environmentally friendly products and services, hoping to reduce the carbon footprint caused.

Product responsibility

By upholding the idea of "achieve customer satisfaction, seek improvement and prioritise quality", the Group provides its customers with premium services that are delivered "on schedule with the quality and quantity". In terms of delivery schedule, quality and pricing, the Group continues to enhance its service quality and responds timely to the demands of its customers. As a result, the dependence of our brand customers on the product development and premium services of the Group have been strengthened and deepened. Furthermore, the Group continues to improve the service system of its plant sites by actively tapping into various channels for collecting customers' feedback on our products and services. To ensure that the products of the Group fulfill the expectations of its customers, the Group welcomes any suggestions and/or complaints made by the customers. All responses received from customers will be reviewed by the management of the Group to facilitate improvement in the future. Every individual complaint made by the customers will be followed up in a fair and timely manner.



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Quality assurance

Our quality management system has been accredited by the ISO 9001 quality management system. The stringent quality assurance system encompasses the entire manufacturing cycle from product design, manufacturing to sales. Our products as well as the raw materials used by our products have fully complied with all applicable regulatory requirements and standards. The Group will proactively recall its products if there is any non-compliance with the quality standards.

Intellectual property right protection

The Group understands the importance of protecting its own intellectual property rights and the intellectual property rights of its customers or suppliers. The Group follows the legitimate intellectual protection laws and regulations of the PRC and Hong Kong. All the software and information used in the daily business operations are with legal licenses and we only procure genuine products. The Group regularly monitors to ensure that intellectual property rights are not being infringed upon.

Data protection and privacy policies

The Group attaches great importance to the protection of personal data and identifiable information of its clients. All confidential information relating to the customers are securely protected and only use for internal purposes. Contracts between the Group, its employees and suppliers contain a confidentiality clause to prevent the disclosure of sensitive information.

During the Reporting Period, the Group did not violate any laws and regulations regarding the product responsibility, data protection, privacy and intellectual property rights. The Group has no products sold being recalled for safety and health reasons and received no substantial complaints.

Anti-corruption

The Group has always conducted business operations and productions in good faith in accordance with the laws and regulations. According to its “Incentive and Penalty Management System”, the plant sites implement specific rules on improper gains, including prohibitions against personal gains by abusing office power, acceptance of bribes, gifts, rebates or other improper gains, bribery through document forgery or dealing with customers under the table, extortion and money laundering. The Group has established a whistle-blowing channel which allows the employees to report any misconduct behavior. All employees at its plant sites are entitled to and obligated to report misconducts in various forms, including corporate email, employee interview, open speeches at meetings or direct reports to the management.

The “Staff Handbook” of the Group also stipulates that employees should enter into the “Undertaking of Confidentiality” and be strictly bound to the relevant provisions thereto. The directors and employees of the Group are encouraged to attend anti-corruption training organised by the Group in respect of the guidelines contained in the “Staff Handbook” and the updates on relevant laws and regulations.

During the Reporting Period, the Group found no corruption or non-compliance cases or litigation against the Group or its employees.

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Certification in respect of ESG areas

The Group successively passes the certification under the ISO 9001 quality management system, ISO 14001 environmental management system, OHSAS 18001 occupational health and safety management system and FSC Chain-of-Custody certification.

COMMUNITY INVESTMENT

The Group adopts people-oriented management policy. Besides providing fringe benefits and packages to its employees, the Group conducts regular visits to employees with difficulties every year, and those employees who suffer severe health issues or experience family-related misfortunes will receive specific assistance.

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INDEPENDENT AUDITOR'S REPORT



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To the members of Shenglong Splendecor International Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shenglong Splendecor International Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 66 to 131, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, which include a summary of material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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



INDEPENDENT AUDITOR'S REPORT

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 year. 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.

Key Audit Matter

Revenue recognition

Refer to Note 2.23 and Note 6 to the Group's consolidated financial statements.

During the year ended 31 December 2025, the Group recognised revenue from sales of goods amounting to RMB585.7 million.

We identified the recognition of revenue as a key audit matter as there are large volume of revenue transactions generated from numerous customers across different locations.

Revenue from the sale of goods is recognised when control of the products has been transferred, being when the products are delivered to customers, and there is no unfulfilled obligation that could affect customers' acceptance of the products.

How our audit addressed the Key Audit Matter

Our procedures in relation to revenue recognition included:

- Understanding, evaluating and validating management's key controls in respect of the Group's sales transactions from contract approval, recording of sales based on underlying documents, including sales orders, invoices, goods delivery notes, bills of lading and customs declaration forms ("underlying documents"), to reconciliations with cash receipts and customers' records;
- Performing tests of details on revenue transactions covering different locations and customers, on a sampling basis, by examining the underlying documents and evidence of settlement;
- Confirming customers' balances at the statement of financial position date on a sampling basis, by considering the amount, nature and characteristics of those customers; and
- Testing sales transactions that occurred around the statement of financial position date.

Based on our audit procedures, we found the Group's revenue recognition was supported by the evidence that we gathered.

INDEPENDENT AUDITOR'S REPORT



Key Audit Matter

Impairment assessment of trade receivables

Refer to Note 19 to the consolidated financial statements.

Trade receivables in total represented 16.1% of the Group's total assets as at 31 December 2025 and impairment assessment of trade receivables under expected credit losses model involved the use of significant management judgements and estimation. Accordingly, we have identified impairment assessment of trade receivables as a key audit matter.

Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are determined based on historical credit losses experience over the past 36 months and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessments included:

- Understanding and assessing the design and implementation of management's key internal controls relating to estimation of expected credit losses;
- Checking, on a sample basis, the aging profile of the trade receivables to the underlying financial records and post year-end settlements to bank receipts;
- Discussing with management about the recoverability of amounts that were past due at the reporting date; and
- Assessing the appropriateness of the expected credit loss ("ECL") methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information used to determine the ECL.

We found that the management judgement and estimation used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Valuation of inventories

Refer to Note 18 to the consolidated financial statements.

As at 31 December 2025, the carrying amounts of inventories were RMB31,412,000 and reversal in provision for impairment provisions of RMB945,000 for the year were recorded.

We identified the valuation of inventories as a key audit matter because of the significant management judgement required to determine the appropriate level of inventory write-downs and provisions.

Management identifies slow moving and obsolete inventories and assesses the net realisable value of all inventories with reference to actual selling price, contract price, anticipated future selling prices, market price of similar products, sales forecasts and costs to sell. Inventories are written down to their net realisable value where this falls below their cost.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessments included:

- Understanding and assessing the design and implementation of management's key internal controls relating to the identification of slow moving and obsolete inventories and making relevant inventory provisions;
- Reviewing, on a sample basis, the management's anticipated future selling price of inventory and comparing the estimated price with historical price, post year-end conditions and market information;
- Obtaining the list of slow moving and obsolete inventories identified by management and comparing this information, on a sample basis, with our observations during our attendance at the year-end inventory count and the data contained in the inventory ageing report; and
- Re-performing the management's calculation of the net realisable value of inventories.

We found that management's assessment of the impairment of inventories to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRS Accounting Standards 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 group 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.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

Confucius International CPA Limited

Certified Public Accountants

Ng Fai Fiona

Practising Certificate Number: P04986

Hong Kong, 27 March 2026

CONSOLIDATED INCOME STATEMENT

| | Notes | Year ended 31 December | |
|---|--------|------------------------|-----------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Revenue from contracts with customers | 6 | 585,736 | 585,649 |
| Cost of sales of goods | 8 | (367,206) | (395,301) |
| Gross profit | | 218,530 | 190,348 |
| Selling expenses | 8 | (37,782) | (46,205) |
| Administrative expenses | 8 | (91,353) | (82,601) |
| Net impairment losses on financial assets | 3.1(b) | 1,745 | (2,649) |
| Other income and other gains, net | 7 | 5,679 | 9,048 |
| Operating profit | | 96,819 | 67,941 |
| Finance income | 10 | 376 | 717 |
| Finance costs | 10 | (10,230) | (13,399) |
| Finance costs, net | 10 | (9,854) | (12,682) |
| Profit before income tax | | 86,965 | 55,259 |
| Income tax expense | 12 | (11,117) | (7,746) |
| Profit for the year | | 75,848 | 47,513 |
| Profit attributable to owners of the Company | | 75,848 | 47,513 |
| Earnings per share attributable to owners of the Company for the year (expressed in RMB cents per share) | | | |
| – Basic and diluted | 13 | 17.80 | 9.87 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Profit for the year | 75,848 | 47,513 |
| Other comprehensive expense | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | |
| Currency translation differences | (713) | (121) |
| Other comprehensive expense for the year, net of tax | (713) | (121) |
| Total comprehensive income for the year | 75,135 | 47,392 |
| Total comprehensive income for the year attributable to owners of the Company | 75,135 | 47,392 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|------------------------------------|-------|-------------------|-----------------|
| | Notes | 2025 RMB'000 | 2024 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | 15(a) | 92,362 | 81,344 |
| Prepayments for land use rights | 15(b) | – | 4,900 |
| Property, plant and equipment | 14(a) | 639,089 | 456,745 |
| Right-of-use assets | 14(b) | 122 | 227 |
| Intangible assets | 16 | 3,308 | 4,383 |
| Deposit for construction contracts | | 10,764 | – |
| Deferred income tax assets | 27 | 2,967 | 2,878 |
| | | 748,612 | 550,477 |
| Current assets | | | |
| Inventories | 18 | 31,412 | 31,582 |
| Trade and other receivables | 19 | 221,916 | 226,933 |
| Restricted bank deposits | 20 | – | 10,300 |
| Cash and cash equivalents | 20 | 145,105 | 55,624 |
| | | 398,433 | 324,439 |
| Total assets | | 1,147,045 | 874,916 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|---|--|--------------------------|---------|
| | | 2025 | 2024 |
| <i>Notes</i> | | RMB'000 | RMB'000 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| | Share capital | 4,171 | 4,171 |
| | Other reserves | 50,399 | 75,919 |
| | Retained earnings | 274,589 | 198,741 |
| | Total equity | 329,159 | 278,831 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| | Long-term bank borrowings | 487,425 | 305,800 |
| | Deferred revenue | 4,864 | 2,214 |
| | Lease liabilities | 14 | 127 |
| | | 492,303 | 308,141 |
| Current liabilities | | | |
| | Trade and other payables | 257,784 | 206,399 |
| | Tax payables | 4,386 | 6,436 |
| | Short-term bank borrowings | 60,000 | 70,000 |
| | Current portion of lease liabilities | 113 | 109 |
| | Current portion of long-term bank borrowings | 3,300 | 5,000 |
| | | 325,583 | 287,944 |
| | Total liabilities | 817,886 | 596,085 |
| | Total equity and liabilities | 1,147,045 | 874,916 |
| | Net current assets | 72,850 | 36,495 |
| | Total assets less current liabilities | 821,462 | 586,972 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 66 to 131 were approved by the Board of Directors on 27 March 2026 and are signed on its behalf by:

Sheng Yingming
Director

Fang Xu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity owners of the Company | | | |
|---|--|--|------------------------------|------------------|
| | Share capital RMB'000 (Note 21) | Other reserves RMB'000 (Note 22) | Retained earnings RMB'000 | Total RMB'000 |
| Balance at 1 January 2024 | 4,253 | 100,056 | 151,228 | 255,537 |
| Comprehensive income | | | | |
| Profit for the year | – | – | 47,513 | 47,513 |
| Other comprehensive expenses | | | | |
| Currency translation differences | – | (121) | – | (121) |
| Total comprehensive (expense)/income | – | (121) | 47,513 | 47,392 |
| Transactions with Shareholders in their capacity as owners | | | | |
| Repurchase of ordinary shares | – | (24,098) | – | (24,098) |
| Cancellation of ordinary shares | (82) | 82 | – | – |
| Total transactions with Shareholders in their capacity as owners | (82) | (24,016) | – | (24,098) |
| Balance at 31 December 2024 | 4,171 | 75,919 | 198,741 | 278,831 |
| Balance at 1 January 2025 | 4,171 | 75,919 | 198,741 | 278,831 |
| Comprehensive income | | | | |
| Profit for the year | – | – | 75,848 | 75,848 |
| Other comprehensive expense | | | | |
| Currency translation differences | – | (713) | – | (713) |
| Total comprehensive (expense)/income | – | (713) | 75,848 | 75,135 |
| Transactions with Shareholders in their capacity as owners | | | | |
| Repurchase of ordinary shares | – | (24,807) | – | (24,807) |
| Total transactions with Shareholders in their capacity as owners | – | (24,807) | – | (24,807) |
| Balance at 31 December 2025 | 4,171 | 50,399 | 274,589 | 329,159 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

| | | Year ended 31 December | |
|---|---|------------------------|------------------|
| | | 2025 | 2024 |
| Notes | | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | |
| | Cash generated from operations | 67,995 | 62,765 |
| | Income tax paid | (13,255) | (5,369) |
| Net cash generated from operating activities | | 54,740 | 57,396 |
| Cash flows from investing activities | | | |
| | Purchase of property, plant and equipment | (264,960) | (124,526) |
| | Acquisition of land use right | (21,270) | (45,967) |
| | Purchase of intangible assets | (138) | (289) |
| | Proceeds from disposal of property, plant and equipment | 44 | 60 |
| | Decrease/(increase) in restricted bank deposits | 10,300 | (3,200) |
| | Payment received for compensation for demolition | 181,052 | – |
| | Interest received from wealth management products | 306 | – |
| | Interest received | 376 | 717 |
| Net cash used in investing activities | | (94,290) | (173,205) |
| Cash flows from financing activities | | | |
| | Proceeds from bank borrowings raised | 523,025 | 418,800 |
| | Repayments of bank borrowings | (353,100) | (289,100) |
| | Interest paid | (15,259) | (11,279) |
| | Repayments of lease liabilities | (115) | (115) |
| | Repurchase of ordinary shares | (24,807) | (24,098) |
| Net cash generated from financing activities | | 129,744 | 94,208 |
| Net increase/(decrease) in cash and cash equivalents | | | |
| | Cash and cash equivalents at beginning of the year | 55,624 | 77,348 |
| | Exchange loss on cash and cash equivalents | (713) | (123) |
| Cash and cash equivalents at end of the year | | 145,105 | 55,624 |

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability under the Cayman Companies Law of the Cayman Islands. The address of its registered office and principal place of business of the Company are disclosed in the Corporation Information section to the annual report.

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of decorative printing materials products in the PRC and overseas. The ultimate holding company of the Company is Bright Commerce which is incorporated in the British Virgin Islands.

On 17 July 2017, shares of the Company were listed on the GEM of the Stock Exchange.

Mr. Sheng Yingming (“Mr Sheng”), who is the chairman of the Board and the chief executive of the Company holding approximately 60.82% beneficial equity interest in the Company, was the single largest shareholder of the Company as at 31 December 2025.

The audited consolidated financial statements are presented in RMB, unless otherwise stated.

The English names of companies mentioned in these consolidated financial statements represented the best effort by Directors in translating their Chinese names as they may not have official English names.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period.

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 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Change in accounting policy and disclosure

(a) Amended standards adopted by the Group

During the current year, the Group has for the first time applied the following amendments to HKFRSs and the Amendments to the References to the Conceptual Framework in HKFRS Standards issued by HKICPA which became effective for the financial year beginning on 1 January 2025:

| | |
|-----------------------|-------------------------|
| Amendments to HKAS 21 | Lack of Exchangeability |
|-----------------------|-------------------------|

The application of the amendments to HKFRSs during the current year have no material impact on the financial performance and/or disclosures as set out in the consolidated financial statements for the current year.

(b) New and amended standards and interpretations not yet adopted

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

| | |
|--|--|
| Amendments to HKFRS 9 and HKFRS 7 | Contracts referencing nature-dependent electricity ² |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ² |
| Amendments to HKFRS Accounting Standards | Annual Improvements to HKFRS Accounting Standards – Volume 11 ² |
| HKFRS 18 | Presentation and Disclosure in Financial Statements ³ |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |

¹ Effective date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.1 Basis of preparation *(Cont'd)*

2.1.1 Change in accounting policy and disclosure *(Cont'd)*

(b) New and amended standards and interpretations not yet adopted *(Cont'd)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.2 Principles of consolidation

2.2.1 *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.

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 would be changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 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.

2.4 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 Board that makes strategic decisions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.5 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 ("functional currency"). The Company's functional currency is Hong Kong dollar ("HKD"). As the major operations of the Group are in the PRC, the Group presents its consolidated financial statements in RMB, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the income statement within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

(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 income statement 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 transaction); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

2.6 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation, net of any impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of to their residual values over their estimated useful lives, as follows:

| | Useful lives | Residual values |
|-------------------------------|---------------------|------------------------|
| Buildings | 20–25 years | 5% |
| Machinery and equipment | 10 years | 5% |
| Furniture and other equipment | 5 years | 5% |
| Motor vehicles | 5 years | 5% |

Assets under construction represent buildings on which construction work has not been completed and plant, machinery and equipment pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, assets under construction are transferred to the appropriate categories of property, plant and equipment at cost, net of impairment losses, if any. No depreciation is charged for assets under construction until they are completed and available for use.

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.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised as 'Other income and other gains – net' in the consolidated income statement.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

2.8 Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method or other more appropriate methods that can reflect the pattern in which the asset's economic benefits are expected to be realised over its estimated useful life.

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

Intangible assets represent the capitalised development costs and computer software measured at historical costs.

2.8.1 Capitalised development costs including patents

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new products and technique) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the new products and technique so that it will be available for use;
- management intends to complete the new products and technique and use or sell it;
- there is an ability to use or sell the new products and technique;
- it can be demonstrated how the new products and technique will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the new products and technique are available; and
- the expenditure attributable to the new products and technique during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense will not be recognised as an asset in a subsequent period.

The Group amortises capitalised development costs with limited useful life using straight-line method over 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.8 Intangible assets *(Cont'd)*

2.8.2 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 10 years on a straight-line basis.

2.9 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. Assets that are subject to amortisation are reviewed 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 to sell 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.

2.10 Investment and other financial assets

2.10.1 Classification

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

- those to be measured subsequently at FVOCI or FVTPL, 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 other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.10 Investment and other financial assets *(Cont'd)*

2.10.2 Recognition and derecognition

Regular way of 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.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of FVOCI, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 three 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/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.10 Investment and other financial assets *(Cont'd)*

2.10.3 Measurement *(Cont'd)*

Debt instruments *(Cont'd)*

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not charged to profit or loss.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.10.4 Impairment

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

For trade receivables and other 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, see Note 3.1(b) for further details.

2.11 Offsetting financial instruments

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.12 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.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

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

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.15 Restricted bank deposits

Restricted bank deposits represent deposits held by the bank in a segregated account as security for issuing bank acceptance. Such restricted bank deposits will be released when the Group repays the related notes payables.

2.16 Share capital

Ordinary shares are classified as equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

Borrowings are removed from the 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 other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 reporting period.

2.19 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.

Other borrowing costs are expensed in the period in which they are incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.20 Government grants

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

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.21 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 substantially enacted at the statement of financial position date in the countries where the Company and its subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised 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/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.21 Current and deferred income tax *(Cont'd)*

(b) Deferred income tax (Cont'd)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and 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 when there is a legally enforceable right to offset current tax assets and liabilities and when 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.

2.22 Employee benefits

The Group operates various defined contribution plans, including pension obligations, housing funds, medical insurances and other social insurances.

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group operates the MPF Scheme for its employees in Hong Kong and provides its PRC employees with Welfare Schemes as required by the applicable laws and regulations of the PRC. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately. Under the Welfare Schemes, the Group's PRC subsidiaries are required to contribute a certain percentage of payroll to the Welfare Schemes to fund the benefits. The only obligation of the Group's PRC subsidiaries with respect to the Welfare Schemes is the required contributions under the Welfare Schemes. During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under MPF Scheme and the Welfare Schemes which may be used by the Group to reduce the contribution payable in the future years. The Group has no significant 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 years. The contributions are recognised as employee benefit expense when they are due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

2.22 Employee benefits (Cont'd)

(b) Long service payments

Employees who have completed certain years of services with the Group are entitled to a LSP. The Group's net obligations in respect of LSP are the amounts of future benefits that employees have earned in return for their services in the current and prior years, calculated in accordance with the applicable laws in Hong Kong.

Effective from 1 May 2025, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the LSP. For detail, please refer to Note 2.1.2.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.23 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 taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

(a) 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 customers, and there is no unfulfilled obligation that could affect customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to customers, and the customers have accepted the products in accordance with the sales contracts.

(b) Rental income

Rental income from the properties and land leases is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(c) Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.24 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. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate of which the Group is a lessee, the Group has elected not to separate lease and non-lease components, instead it accounts for these as a single lease component.

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 assets may not be used as security for borrowing purposes.

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
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

2.24 Leases *(Cont'd)*

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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.25 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, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC, but a significant portion of its sales is made to foreign countries, and thus the Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD, Euro ("EUR") and HKD.

Exchange rate fluctuations and market trends have always been the concerns of the Group. The Group regularly and closely monitors the level of its foreign exchange risk exposure, and may take prudent measures, including entering into forward exchange contracts or currency swap contracts despite the Group did not have such arrangements during the year ended 31 December 2025.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the statement of financial position date are as follows:

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Assets | | |
| USD | 28,227 | 25,875 |
| HKD | 2,313 | 9,396 |
| EUR | 2,966 | 727 |
| Total | 33,506 | 35,998 |
| Liabilities | | |
| USD | — | — |
| EUR | — | — |
| Total | — | — |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variables being held constant, the profit before income tax would (decrease)/increase as follows:

| | Year ended 31 December | | | |
|-----|---|---------|---|---------|
| | 2025 | | 2024 | |
| | (Decrease)/increase on profit before income tax if exchange rates change by | | (Decrease)/increase on profit before income tax if exchange rates change by | |
| | +5% | -5% | +5% | -5% |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| USD | (1,411) | 1,411 | (1,294) | 1,294 |
| HKD | (116) | 116 | (470) | 470 |
| EUR | (148) | 148 | (36) | 36 |

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. During the years ended 31 December 2025 and 2024, the Group's borrowings at variable rates were denominated in RMB.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

| | 2025 | % of total | 2024 | % of total |
|--------------------------|---------|------------|---------|------------|
| | RMB'000 | borrowings | RMB'000 | borrowings |
| Variable rate borrowings | 291,375 | 53% | 48,100 | 13% |
| Fixed rate borrowings | 259,350 | 47% | 332,700 | 87% |
| | 550,725 | 100% | 380,800 | 100% |

An analysis by maturities is provided in Note 3.1(c) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Cont'd)*

3.1 Financial risk factors *(Cont'd)*

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risk *(Cont'd)*

Sensitivity

As at 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the year and retained earnings by approximately RMB2,914,000 (2024: RMB481,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2024.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted bank deposits and trade and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management and security

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted bank deposits since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade and other receivables. The Group assesses the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with poor credit history, the Group will use methods such as written payment reminders, or shorten or cancel credit periods, to ensure that the overall credit risk of the Group is limited to a controllable extent.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Cont'd)*

3.1 Financial risk factors *(Cont'd)*

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- other receivables

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

Trade receivables

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

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

The expected loss rates are based on the payment profiles of sales over a period of the last 36 months and the corresponding historical credit losses experience 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 to settle the receivables. The Group has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Cont'd)*

3.1 Financial risk factors *(Cont'd)*

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets *(Cont'd)*

Trade receivables *(Cont'd)*

On that basis, the loss allowance provision as at 31 December 2025 and 2024 is determined as follows for trade receivables:

| | Less than 3 months RMB'000 | More than 3 months but not exceeding 1 year RMB'000 | More than 1 year RMB'000 | Total RMB'000 |
|--|----------------------------------|--|--------------------------------|------------------|
| 31 December 2025 | | | | |
| Expected loss rate | 0.25% | 4.29% | 77.70% | |
| Gross carrying amount – trade receivables | 128,620 | 44,156 | 3,572 | 176,348 |
| Loss allowance | 327 | 1,895 | 2,776 | 4,998 |
| | | | | |
| | Less than 3 months RMB'000 | More than 3 months but not exceeding 1 year RMB'000 | More than 1 year RMB'000 | Total RMB'000 |
| 31 December 2024 | | | | |
| Expected loss rate | 0.25% | 4.63% | 81.80% | |
| Gross carrying amount – trade receivables | 136,648 | 63,009 | 3,610 | 203,267 |
| Loss allowance | 344 | 2,917 | 2,953 | 6,214 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Trade receivables (Cont'd)

| | Trade receivables | |
|--|-------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Opening loss allowance at 1 January | 6,214 | 4,182 |
| (Decrease)/Increase in trade receivables loss allowance recognised in profit or loss during the year | (838) | 2,058 |
| Receivables written off during the year as uncollectible | (378) | (26) |
| Closing loss allowance at 31 December | 4,998 | 6,214 |

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of more than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited to the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Other receivables

Other receivables at amortised cost mainly includes advances to employees, deposits for utilities and product quality assurance, deposits paid to suppliers, interests receivables and others which are included in trade and other receivables (Note 19).

The loss allowance provision as at 31 December 2025 and 2024 is determined as follows for other receivables, the expected credit losses below also incorporated forward looking information.

| | Other receivables at amortised cost | |
|--|--|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Opening loss allowance at 1 January | 2,159 | 1,568 |
| (Decrease)/Increase in other receivables loss allowance recognised in profit or loss during the year | (907) | 591 |
| Closing loss allowance at 31 December | 1,252 | 2,159 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and to maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (including unutilised banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | More than 5 years RMB'000 | Total contractual cash flows RMB'000 | Carrying amount RMB'000 |
|--|--------------------------------|-------------------------------------|-------------------------------------|---------------------------------|---|-------------------------------|
| At 31 December 2025 | | | | | | |
| Bank borrowings (including interest payable upon maturity) | 114,760 | 49,964 | 378,377 | 97,428 | 640,529 | 550,725 |
| Trade and other payables excluding non-financial liabilities | 156,938 | 1,075 | – | – | 158,013 | 158,013 |
| Lease liabilities | 115 | 14 | – | – | 129 | 127 |
| Total | 271,813 | 51,053 | 378,377 | 97,428 | 798,671 | 708,865 |

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | More than 5 years RMB'000 | Total contractual cash flows RMB'000 | Carrying amount RMB'000 |
|--|--------------------------------|-------------------------------------|-------------------------------------|---------------------------------|---|-------------------------------|
| At 31 December 2024 | | | | | | |
| Bank borrowings (including interest payable upon maturity) | 87,767 | 86,687 | 208,782 | 32,831 | 416,067 | 380,800 |
| Trade and other payables excluding non-financial liabilities | 189,489 | 7,415 | – | – | 196,904 | 196,904 |
| Lease liabilities | 115 | 115 | 15 | – | 245 | 236 |
| Total | 277,371 | 94,217 | 208,797 | 32,831 | 613,216 | 577,940 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.2 Capital 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, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio periodically to ensure the gearing ratio is in an acceptable range. This ratio is calculated as total bank borrowings divided by total equity.

The gearing ratio as at 31 December 2025 and 2024 is as follows:

| | As at 31 December | |
|-----------------------|-------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Total bank borrowings | 550,725 | 380,800 |
| Total equity | 329,159 | 278,831 |
| Gearing ratio | 167% | 137% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value measurements of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on any observable market data (that is, unobservable inputs).

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2025 across the three levels of the fair value hierarchy as defined in HKFRS 13 "Fair value measurement".

| | 31 December 2025 | | | 31 December 2024 | | |
|---|------------------|---------|---------|------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets at FVOCI – note receivables | – | 13,406 | – | – | 8,122 | – |
| | – | 13,406 | – | – | 8,122 | – |

The fair value of note receivables were determined by quoted prices provided by banks in PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FAIR VALUE ESTIMATION

The carrying amounts less impairment allowance of trade and other receivables excluding prepayments, restricted bank deposits, cash and cash equivalents, short-term bank borrowings, and trade and other payables excluding non-financial liabilities approximate their fair values due to their short maturities.

The carrying amounts of long-term bank borrowings approximate their fair values because the Group's borrowings bear floating interest rates which approximate to the market borrowings interest rate. As at 31 December 2025 and 2024, the Group had no level 1 and level 3 financial instrument.

5 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 amount of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. 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 income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of trade receivables

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

The expected loss rates are based on the Group's past loss experiences, existing market conditions, export credit insurance as well as forward looking estimates at the end of each reporting periods.

The estimation of expected credit loss requires the use of judgment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Cont'd)*

(c) Capitalisation of internal development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that the projects will be successful considering the criteria set out in Note 2.8.1. Significant judgements applied by management in determining the development costs to be capitalised include whether it is technical feasible to complete the development projects, whether the new manufacturing technique can generate probable future economic benefits, and whether costs incurred were directly attributed to the development of the technique.

(d) Impairment of other receivables

The loss allowances for other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on past history, market conditions as well as forward-looking information at the end of each reporting period.

(e) Provision for inventory

The Group regularly estimates the net realisable value of inventory to determine whether the difference between the cost of inventory and the net realisable value results in an impairment (Note 18). When assessing the net realisable value, the Group considers the purpose of holding inventory. The assessment is based on the available information which includes the market price of the inventory and the former operative cost of the Group. The actual selling price, selling expense and tax may vary with changes in market conditions or actual use which results in the changes in the price of inventory. The adjustment of the impairment losses of inventory will affect current profit or loss.

6 REVENUE AND SEGMENT INFORMATION

The Board assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are related to manufacturing and sales of decorative printing materials products. The Group's operating assets and liabilities are mainly located in PRC. Therefore, management considers that there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The Group's five largest customers accounted for approximately 51.7% (2024: 51.3%), in which a single external customer contributed approximately 18.3%, amounting RMB107,357,000 of the Group's total revenue for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Revenue from external customers, all of which are recognised at a point in time, by geographic locations is as follows:

| | Year ended 31 December | |
|--------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| PRC | 418,509 | 423,438 |
| India | 36,761 | 25,672 |
| The United Arab Emirates | 31,283 | 31,899 |
| Pakistan | 27,698 | 35,921 |
| Indonesia | 13,028 | 10,694 |
| Other countries | 58,457 | 58,025 |
| | 585,736 | 585,649 |

7 OTHER INCOME AND OTHER GAINS, NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Government grants income including amortisation of deferred government grants | 3,499 | 4,622 |
| Income of sales of scrap and surplus materials | 200 | 534 |
| Rental income, net* | 1,973 | 2,061 |
| Foreign exchange gain, net | 104 | 2,208 |
| Loss on disposal of property, plant and equipment <i>(Note 29(b))</i> | (809) | (2,707) |
| Interest income from wealth management products | 306 | – |
| Refund for taxes and levies** | 512 | 1,976 |
| Others | (106) | 354 |
| | 5,679 | 9,048 |

* It represents gross rental income of RMB2,304,000 (2024: RMB2,478,000), net of depreciation expense of RMB331,000 (2024: RMB417,000) for the year ended 31 December 2025.

** On September 2023, Chinese government issued "Announcement on the additional value-added tax deduction policy for advanced manufacturing enterprises". It states that from 1 January 2023 to 31 December 2027, the taxpayer who is an advanced manufacturing enterprise is allowed to deduct an additional 5% of the value-added tax payable based on the current deductible input tax. Benefit from this policy, the Group has other gains of approximate RMB512,000 (2024: RMB1,976,000) for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Raw materials and consumables used | 264,268 | 294,534 |
| Changes in inventories of finished goods and work in progress | 11,461 | (4,094) |
| Employee benefit expenses (<i>Note 9</i>) | 87,480 | 84,566 |
| Depreciation and amortisation | 34,579 | 42,200 |
| Utilities | 13,937 | 14,827 |
| Transportation expenses | 10,036 | 9,674 |
| Travelling expenses | 3,927 | 4,275 |
| Commission expenses | 2,467 | 5,583 |
| Entertainment expenses | 11,946 | 13,492 |
| Other taxes and levies | 6,919 | 6,379 |
| Marketing and exhibition expenses | 7,502 | 6,935 |
| Auditor's remuneration-audit service | 900 | 850 |
| Legal and professional expenses | 4,350 | 8,784 |
| (Reversal of)/provision for impairment provisions on inventories | (945) | 199 |
| Research and development costs | | |
| – Employee benefit expenses (<i>Note 9</i>) | 10,000 | 8,319 |
| – Depreciation and amortisation | 3,443 | 3,434 |
| – Raw materials and consumables used and others | 12,291 | 11,004 |
| Repairs and maintenance | 1,798 | 1,732 |
| Other expenses | 9,982 | 11,414 |
| Total cost of sales, selling expenses and administrative expenses | 496,341 | 524,107 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | Year ended 31 December | |
|-----------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Directors' fees | 256 | 258 |
| Salaries, wages and bonuses | 83,342 | 80,591 |
| Pension costs | 8,409 | 8,117 |
| Other social security costs | 5,473 | 3,919 |
| | 97,480 | 92,885 |

(a) Directors' and chief executive's emoluments

The remuneration of the directors and chief executives for the years ended 31 December 2025 and 2024 are set out below:

Year ended 31 December 2025:

| Name | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses RMB'000 | Allowances and benefit in kind RMB'000 | Pension and other social security costs RMB'000 | Total RMB'000 |
|--|-----------------|---------------------|-------------------------------------|---|---|------------------|
| Executive directors | | | | | | |
| Mr. Sheng (i) | – | 3,347 | 1,200 | 12 | – | 4,559 |
| Mr. Fang Xu ("Mr. Fang") | – | 954 | 800 | 506 | 89 | 2,349 |
| Ms. Sheng Sainan | – | 594 | 300 | 6 | 89 | 989 |
| | – | 4,895 | 2,300 | 524 | 178 | 7,897 |
| Independent non-executive directors | | | | | | |
| Mr. Tso Ping Cheong | 108 | – | – | – | – | 108 |
| Mr. Ma Lingfei | 74 | – | – | 6 | – | 80 |
| Mr. Zheng Yong | 74 | – | – | 6 | – | 80 |
| | 256 | – | – | 12 | – | 268 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

Year ended 31 December 2024:

| Name | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses RMB'000 | Allowances and benefit in kind RMB'000 | Pension and other social security costs RMB'000 | Total RMB'000 |
|--|-----------------|---------------------|-------------------------------------|---|---|------------------|
| Executive directors | | | | | | |
| Mr. Sheng (i) | – | 735 | 1,200 | 12 | 12 | 1,959 |
| Mr. Fang Xu (“Mr. Fang”) | – | 748 | 800 | 270 | 80 | 1,898 |
| Ms. Sheng Sainan | – | 552 | 200 | 6 | 87 | 845 |
| | – | 2,035 | 2,200 | 288 | 179 | 4,702 |
| Independent non-executive directors | | | | | | |
| Mr. Tso Ping Cheong | 110 | – | – | – | – | 110 |
| Mr. Ma Lingfei | 74 | – | – | 6 | – | 80 |
| Mr. Zheng Yong | 74 | – | – | 6 | – | 80 |
| | 258 | – | – | 12 | – | 270 |

(i) Mr. Sheng is also the chief executive of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Cont'd)

(b) Five highest paid individuals

For the year ended 31 December 2025, the five individuals whose emoluments were the highest in the Group included three Directors (2024: three) whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining two individuals (2024: two) during the years are as follows:

| | Year ended 31 December | |
|-----------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Salaries and wages | 3,544 | 1,424 |
| Discretionary bonuses | 1,220 | 1,410 |
| Pension costs | 49 | 30 |
| Other social security costs | 129 | 67 |
| | 4,942 | 2,931 |

The emoluments fell within the following bands:

Number of individuals

| Emolument bands | Year ended 31 December | |
|---------------------------|------------------------|------|
| | 2025 | 2024 |
| Nil–RMB1,000,000 | – | 1 |
| RMB2,000,000–RMB2,500,000 | 1 | 1 |
| RMB2,500,001–RMB3,000,000 | 1 | – |

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the Directors and the five highest paid individuals (including the Directors and employees) as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office. No Director waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE COSTS, NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Finance costs: | | |
| – Interest expenses on borrowings | 13,891 | 12,708 |
| Add: interest on lease liabilities | 6 | 10 |
| Less: interest capitalised (<i>Notes 14 and 15</i>) | (4,214) | (188) |
| | | |
| Interest expenses | 9,683 | 12,530 |
| | | |
| – Bank service charges | 547 | 869 |
| | | |
| Finance costs | 10,230 | 13,399 |
| | | |
| Finance income: | | |
| – Interest income derived from bank deposits | (376) | (717) |
| | | |
| Finance costs, net | 9,854 | 12,682 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2025:

| Name | Place of incorporation/ establishment and nature of legal entity | Particulars of issued/paid-in capital | | Proportion of equity interest held by the Group (%) | Principal activities and place of operation |
|---|--|---------------------------------------|---------------|---|--|
| | | 2025 | 2024 | | |
| Directly owned: Haoyu Capital Limited ("Haoyu Capital") | Incorporated in the BVI, limited liability company | – | – | 100% | Investment holding in HK |
| Indirectly owned: Splendecor Hong Kong Limited | Incorporated in HK, limited liability company | HKD100 | HKD100 | 100% | Investment holding in HK |
| Zhejiang Shenglong Decoration Material Co., Ltd. ("Shenglong Decoration") | Established in the PRC, limited liability company [#] | RMB20,650,000 | RMB20,650,000 | 100% | Manufacturing and sales of decorative printing materials products in the PRC |
| Hangzhou Splendor Decoration Co. Ltd. ("Splendor Decoration") | Established in the PRC, limited liability company [*] | RMB22,710,000 | RMB22,710,000 | 100% | Manufacturing and sales of decorative printing materials products in the PRC |
| Huangshan Shenglong Decoration Material Co., Ltd. ("Huangshan Shenglong") | Established in the PRC, limited liability company | RMB1,000,000 | RMB50,000,000 | 100% | Manufacturing and sales of decorative printing materials products in the PRC |
| Guangdong Shenglong Decoration Material Co., Ltd. ("Guangdong Shenglong") | Established in the PRC, limited liability company | RMB20,000,000 | RMB20,000,000 | 100% | Manufacturing and sales of decorative printing materials products in the PRC |
| Guigang Shenglong Decoration Material Co., Ltd. ("Guigang Shenglong") | Established in the PRC, limited liability company | RMB10,000,000 | RMB10,000,000 | 100% | Manufacturing and sales of decorative printing materials products in the PRC |

[#] Registered as wholly foreign owned enterprises under PRC law.

^{*} Registered as Sino-foreign equity joint ventures under PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Current income tax | | |
| Charge for the year | 10,975 | 7,607 |
| Under provision in prior year | 231 | – |
| | 11,206 | 7,607 |
| Deferred income tax (<i>Note 27</i>) | (89) | 139 |
| | 11,117 | 7,746 |

(a) PRC corporate income tax (“CIT”)

The corporate income tax rate applicable to the Group entities located in PRC other than Shenglong Decoration is 25% according to the PRC Corporate Income Tax Law (the “CIT Law”) effective on 1 January 2008.

Shenglong Decoration obtained the certificate of High and New Technology Enterprises from local government, in accordance with which, Shenglong Decoration enjoyed a preferential tax rate of 15% for the year ended 31 December 2025 (2024: 15%).

(b) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and, is exempted from Cayman Islands income tax. Haoyu Capital was incorporated under the International Business Companies Act of the British Virgin Islands and, is exempted from British Virgin Islands income tax. Under the current Inland Revenue Ordinance (Chapter 112, the Laws of Hong Kong), Splendecor Hong Kong Limited is subject to profits tax at the rate of 8.25% on assessable profits up to HKD2,000,000, and 16.5% on any part of assessable profits over HKD2,000,000.

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from these jurisdictions for the year ended 31 December 2025 (2024: Nil).

(c) PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. During the year ended 31 December 2024, the Directors reassessed the dividend policy of its major subsidiaries established in the PRC, Shenglong Decoration and Splendor Decoration, based on the Group's current business plan and financial position, and no retained earnings as of 31 December 2024 would be distributed to its non-PRC registered intermediate holding company in the foreseeable future. As such, no deferred liability has been provided for WHT by the Group for the earnings are expected to be retained by the Shenglong Decoration and Splendor Decoration in the PRC and not to be remitted out of the PRC in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (Cont'd)

(d) Taxation on the Group's profit

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% as follows:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Profit before income tax | 86,965 | 55,259 |
| Tax calculated at applicable corporate income tax rate of 25% | 21,741 | 13,815 |
| Effect of different tax rates and preferential tax rates of subsidiaries | (9,217) | (5,496) |
| Expenses not deductible for taxation purposes | 2,222 | 2,841 |
| Under provision of taxation in respect of prior years | 231 | – |
| Additional deductible allowance for research and development expenses (i) | (3,860) | (3,414) |
| | 11,117 | 7,746 |

(i) Pursuant to the CIT Law, the Group can enjoy an additional tax deduction calculated at 100% (2024: 100%) of the actual research and development expenses recognised.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding excluding treasury shares during the year.

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2025 | 2024 |
| Profit attributable to owners of the Company (RMB'000) | 75,848 | 47,513 |
| Weighted average number of ordinary shares outstanding ('000) | 426,050 | 481,550 |
| Basic and diluted earnings per share (RMB cents) | 17.80 | 9.87 |

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2025 and 2024. Diluted earnings per share is equal to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

| | Buildings RMB'000 | Machinery and equipment RMB'000 | Furniture and other equipment RMB'000 | Motor vehicles RMB'000 | Construction- in-progress RMB'000 | Total RMB'000 |
|------------------------------------|----------------------|--|--|------------------------------|---|------------------|
| At 1 January 2024 | | | | | | |
| Cost | 226,473 | 222,229 | 39,549 | 14,323 | 26,642 | 529,216 |
| Accumulated depreciation | (54,736) | (120,310) | (10,365) | (5,179) | – | (190,590) |
| Carrying amount | 171,737 | 101,919 | 29,184 | 9,144 | 26,642 | 338,626 |
| Year ended 31 December 2024 | | | | | | |
| Opening carrying amount | 171,737 | 101,919 | 29,184 | 9,144 | 26,642 | 338,626 |
| Additions | – | 4,809 | 315 | 11,348 | 147,268 | 163,740 |
| Disposals | – | (2,682) | (43) | (42) | – | (2,767) |
| Transfer | 105 | 4,761 | 83 | 38 | (4,987) | – |
| Depreciation | (10,720) | (25,258) | (3,581) | (3,295) | – | (42,854) |
| Closing carrying amount | 161,122 | 83,549 | 25,958 | 17,193 | 168,923 | 456,745 |
| At 31 December 2024 | | | | | | |
| Cost | 226,578 | 214,085 | 39,428 | 25,236 | 168,923 | 674,250 |
| Accumulated depreciation | (65,456) | (130,536) | (13,470) | (8,043) | – | (217,505) |
| Carrying amount | 161,122 | 83,549 | 25,958 | 17,193 | 168,923 | 456,745 |
| Year ended 31 December 2025 | | | | | | |
| Opening carrying amount | 161,122 | 83,549 | 25,958 | 17,193 | 168,923 | 456,745 |
| Additions | – | 5,873 | 217 | 1,234 | 288,191 | 295,515 |
| Disposals | – | (2,233) | (6) | (11) | – | (2,250) |
| Written off | (55,367) | – | (2,759) | – | (18,017) | (76,143) |
| Transfer | – | 15,008 | 7 | – | (15,015) | – |
| Depreciation | (6,802) | (17,006) | (6,518) | (4,452) | – | (34,778) |
| Closing carrying amount | 98,953 | 85,191 | 16,899 | 13,964 | 424,082 | 639,089 |
| At 31 December 2025 | | | | | | |
| Cost | 158,378 | 230,274 | 35,201 | 26,428 | 424,082 | 874,363 |
| Accumulated depreciation | (59,425) | (145,083) | (18,302) | (12,464) | – | (235,274) |
| Carrying amount | 98,953 | 85,191 | 16,899 | 13,964 | 424,082 | 639,089 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Cont'd)

(a) Property, plant and equipment (Cont'd)

As at 31 December 2025, the construction-in-progress was mainly capital expenditures incurred for the construction of a new plant in the PRC, the amount transferred out from the construction-in-progress mainly represented part of the buildings and production lines which had been completed and put into use.

Depreciation charges have been charged to consolidated income statement as follows:

| | Year ended 31 December | |
|----------------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Cost of sales | 20,193 | 28,351 |
| Administrative expenses | 14,254 | 14,086 |
| Other income – net rental income | 331 | 417 |
| | 34,778 | 42,854 |

As at 31 December 2025, property, plant and equipment with a total carrying amount of approximately RMB184,144,000 (2024: RMB244,671,000) were pledged as collateral for the Group's bank borrowings (Note 26).

RMB4,214,000 borrowing cost (2024: RMB188,000) has been capitalised in assets under construction for the year ended 31 December 2025.

(b) Right-of-use assets

Carrying amounts of right-of-use assets as below:

| | As at 31 December | |
|-------------------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Other properties leased for own use | 516 | 516 |
| Depreciation | (394) | (289) |
| Carrying amounts | 122 | 227 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LAND USE RIGHTS, PREPAYMENTS FOR LAND USE RIGHTS AND DEPOSIT FOR ACQUISITION OF A PROPERTY

(a) Land use rights

Movement of land use rights is analysed as follows:

| | As at 31 December | |
|---------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Opening carrying amount | 81,344 | 36,902 |
| Additions | 21,270 | 45,967 |
| Written off | (7,995) | – |
| Amortisation for the year | (2,257) | (1,525) |
| Closing carrying amount | 92,362 | 81,344 |
| Representing: | | |
| Cost | 107,525 | 98,036 |
| Accumulated amortisation | (15,163) | (16,692) |
| Carrying amount | 92,362 | 81,344 |

The lease periods of land use rights are 50 years starting from the date of grant and the lands are located in the PRC.

As at 31 December 2025, land use rights with a total carrying amount of approximately RMB72,500,000 (2024: RMB73,346,000) were pledged as collateral for the Group's borrowings (Note 26).

(b) Prepayment for land use rights

The prepayments for land use rights of RMB4,900,000 as at 31 December 2024 represented the land compensation fee paid by the Group for the government's requisition of collective use land and thus is considered as the prepayment of the Group to obtain the land use rights in the future. The amount is non-refundable due to the demolition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

| | Capitalised development costs including patents RMB'000 | Computer software RMB'000 | Total RMB'000 |
|------------------------------------|--|--|--------------------------|
| At 1 January 2024 | | | |
| Cost | 12,741 | 3,570 | 16,311 |
| Accumulated amortisation | (9,762) | (888) | (10,650) |
| Carrying amount | 2,979 | 2,682 | 5,661 |
| Year ended 31 December 2024 | | | |
| Opening carrying amount | 2,979 | 2,682 | 5,661 |
| Additions | – | 289 | 289 |
| Amortisation | (1,256) | (311) | (1,567) |
| Closing carrying amount | 1,723 | 2,660 | 4,383 |
| At 31 December 2024 | | | |
| Cost | 12,741 | 3,859 | 16,600 |
| Accumulated amortisation | (11,018) | (1,199) | (12,217) |
| Carrying amount | 1,723 | 2,660 | 4,383 |
| Year ended 31 December 2025 | | | |
| Opening carrying amount | 1,723 | 2,660 | 4,383 |
| Additions | – | 138 | 138 |
| Amortisation | (802) | (411) | (1,213) |
| Closing carrying amount | 921 | 2,387 | 3,308 |
| At 31 December 2025 | | | |
| Cost | 12,741 | 3,997 | 16,738 |
| Accumulated amortisation | (11,820) | (1,610) | (13,430) |
| Carrying amount | 921 | 2,387 | 3,308 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (Cont'd)

Amortisation has been charged to consolidated income statement as follows:

| | Year ended 31 December | |
|-------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Cost of sales | 201 | 454 |
| Administrative expenses | 1,012 | 1,113 |
| | 1,213 | 1,567 |

17 FINANCIAL INSTRUMENTS BY CATEGORY

| Financial assets by category | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Financial assets at amortised cost | | |
| Trade and other receivables excluding non-financial assets | 176,918 | 201,148 |
| Restricted bank deposits | – | 10,300 |
| Cash and cash equivalents | 145,105 | 55,624 |
| | 322,023 | 267,072 |
| Financial assets at fair value through other comprehensive income | | |
| Trade and other receivables excluding non-financial assets | 13,406 | 8,122 |
| | 335,429 | 275,194 |

| Financial liabilities by category | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Financial liabilities at amortised cost | | |
| Borrowings | 550,725 | 380,800 |
| Trade and other payables excluding non-financial liabilities | 158,013 | 196,904 |
| Lease liabilities | 127 | 236 |
| | 708,865 | 577,940 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVENTORIES

| | As at 31 December | |
|------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Raw materials | 12,587 | 7,864 |
| Work in progress | 1,971 | 1,630 |
| Finished goods | 16,854 | 22,088 |
| | 31,412 | 31,582 |

The cost of inventories recognised as expense and included in “cost of sales” and “administrative expenses” amounted to RMB284,974,000 and RMB9,164,000 for the year ended 31 December 2025 (2024: RMB289,405,000 and RMB8,665,000) respectively. Reversal of impairment provision for obsolete inventory amounted to RMB945,000 for the year ended 31 December 2025 (2024: provision for impairment provision of RMB199,000) were included in “cost of sales”.

19 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Trade receivables | 176,348 | 203,267 |
| Notes receivables | 13,406 | 8,122 |
| Less: allowance for impairment of trade receivables | (4,998) | (6,214) |
| Trade receivables, net | 184,756 | 205,175 |
| Advances to employees | 2,247 | 2,879 |
| Advances to a construction supplier (ii) | – | 6,132 |
| Deposits paid to suppliers | 15 | 51 |
| Deposits for utilities and product quality | 3,029 | 2,431 |
| Value-added tax for deduction | 30,346 | 4,627 |
| Prepayments of raw materials | 472 | 1,840 |
| Prepayments of expenses (i) | 764 | 5,053 |
| Others | 1,539 | 904 |
| Less: allowance for impairment of other receivables | (1,252) | (2,159) |
| | 37,160 | 21,758 |
| | 221,916 | 226,933 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES (Cont'd)

(i) As at 31 December 2024, the amount mainly included a prepayment of service fee amounted to approximately RMB4,170,000, the prepayment was incurred as the Company has entered into a service contract on May 2023 with an independent third party for market share enhancement purposes. Out of the prepayment, RMB3,333,000 is considered as service charge which will be recognised to profit or loss during the year. The remaining RMB837,000 of the prepayment will be charged based on the successful establishment of a customer relationship, as stipulated in the service contract. The prepayment is interest-free. If the service provider fails to introduce new customer to the Company during the remaining service period of the contract, the remaining balance of the prepayment will be refunded to the Company.

(ii) It represents the advances to a construction company for expansion of factory building.

(a) The credit terms of trade receivables granted by the Group are normally within 3 months. The ageing analysis of trade receivables based on the invoice date is as follows:

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Less than 3 months | 128,620 | 136,648 |
| More than 3 months but not exceeding 1 year | 44,156 | 63,009 |
| More than 1 year | 3,572 | 3,610 |
| | 176,348 | 203,267 |

(b) The carrying amounts of the Group's trade receivables were denominated in the following currencies:

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| RMB | 153,509 | 182,098 |
| USD | 22,129 | 21,166 |
| EUR | 710 | 3 |
| | 176,348 | 203,267 |

(c) Notes receivables represented trade related bank acceptance with maturity period within 1 year and non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

| | As at 31 December | |
|--------------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Cash on hand | 191 | 168 |
| Cash in investment account | 3 | 138 |
| Cash at bank | 144,911 | 65,618 |
| Cash at bank and on hand | 145,105 | 65,924 |
| Less: Restricted bank deposits | – | (10,300) |
| Cash and cash equivalents | 145,105 | 55,624 |

Cash at bank and on hand were denominated in the following currencies:

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| RMB | 136,069 | 51,101 |
| USD | 6,098 | 4,709 |
| EUR | 2,256 | 724 |
| HKD | 682 | 9,390 |
| | 145,105 | 65,924 |

21 SHARE CAPITAL

| | Number of ordinary shares '000 | Nominal value of ordinary shares HKD'000 |
|--|---|---|
| Authorised | | |
| 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025 | 10,000,000 | 100,000 |
| | | |
| | Number of ordinary shares '000 | Nominal value of ordinary shares HKD'000 |
| | | Equivalent nominal value of ordinary shares RMB'000 |
| Issued | | |
| As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025 | 490,420 | 4,904 |
| | | 4,171 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER RESERVES

| | Share premium RMB'000 | Treasury stocks RMB'000 <i>(Note a)</i> | Merger reserve RMB'000 | Statutory reserves RMB'000 <i>(Note b)</i> | Translation reserve RMB'000 | Other reserves RMB'000 | Total RMB'000 |
|----------------------------------|-----------------------------|--|------------------------------|---|-----------------------------------|------------------------------|------------------|
| At 1 January 2024 | 111,659 | (316) | (24,645) | 14,164 | (2,628) | 1,822 | 100,056 |
| Repurchase of ordinary shares | – | (24,098) | – | – | – | – | (24,098) |
| Cancellation of ordinary shares | (3,972) | 4,054 | – | – | – | – | 82 |
| Currency translation differences | – | – | – | – | (121) | – | (121) |
| At 31 December 2024 | 107,687 | (20,360) | (24,645) | 14,164 | (2,749) | 1,822 | 75,919 |
| At 1 January 2025 | 107,687 | (20,360) | (24,645) | 14,164 | (2,749) | 1,822 | 75,919 |
| Repurchase of ordinary shares | – | (24,807) | – | – | – | – | (24,807) |
| Currency translation differences | – | – | – | – | (713) | – | (713) |
| At 31 December 2025 | 107,687 | (45,167) | (24,645) | 14,164 | (3,462) | 1,822 | 50,399 |

(a) Treasury stocks

During the year ended 31 December 2025, the Company repurchased 44,830,000 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited with a total cash consideration of RMB24,807,000 (approximately HK\$27,087,000). The repurchases were executed from May to July in 2025. The lowest and the highest repurchase prices per share were HK\$0.40 and HK\$0.63, respectively. As at the date of this annual report, 85,250,000 shares were recorded as treasury stock as at 31 December 2025.

During the year ended 31 December 2024, the Company repurchased 48,550,000 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited with a total cash consideration of RMB24,098,000 (approximately HK\$26,451,000). The repurchases were executed from January to October in 2024. The lowest and the highest repurchase prices per share were HK\$0.32 and HK\$0.65, respectively. As at the date of this annual report, 9,580,000 repurchased ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity, and the remaining 40,420,000 shares were recorded as treasury stock as at 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER RESERVES (Cont'd)

(b) Statutory reserves

Pursuant to the Company Law of the PRC and the articles of association of certain PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous year' losses) to statutory reserve until the fund aggregates to 50% of their respective registered capital; after the appropriation to statutory reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous year' losses, to expand production operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory reserves into paid-in capital, provided that the balance of the statutory reserve after such transfer is not less 25% of the registered capital.

23 SHARE OPTION SCHEME

Pursuant to the Share Option Scheme, the Company may grant options to any individual who is an employee of the Group (including Directors) or any entity in which the Company holds any equity interest and such other persons who has or will contribute to the Group as approved by the Board from time to time, to subscribe for shares in the Company with the payment of HKD1.00 upon each option granted. Service providers are not included in the participants of the Share Option Scheme and no service provider sublimit is set under the Share Option Scheme.

The subscription price of a share shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date the option is offered, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date the option is offered; and (iii) the par value of the shares of the Company on the date the option is offered.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue on the date the shares of the Company commence trading on the Stock Exchange, being 50,000,000 shares. As at the date of this annual report, the Company had 50,000,000 shares available for issue under the Share Option Scheme, representing 11.1% of the issued share capital of the Company (excluding treasury shares). The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 months period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE OPTION SCHEME (Cont'd)

The Share Option Scheme is valid and effective for 10 years from the date on which the last conditions of the Share Option Scheme is fulfilled (i.e. 21 June 2027), after which time no further option will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. The remaining life of the Share Option Scheme is approximately 3 years and 3 months as at the date of this annual report. An offer of grant of an option shall be made to a participant of the Share Option Scheme by letter (the "Offer Letter") in such form as the Board may from time to time determine, requiring the participant to undertake to hold the option on the terms on which it is to be granted (which may include a minimum period for which the option must be held before it can be exercised and a performance target that must be reached before the option can be exercised in whole or in part). The offer shall remain open for acceptance for such time to be determined by the Board. An option shall be deemed to have taken effect after the Offer Letter was accepted and signed by the grantee together with a remittance in favour of the Company of HKD1.00 or the equivalent amount in any currency is received by the Company. No share option was granted, exercised, cancelled or lapsed since the adoption date of the Share Option Scheme on 22 June 2017 and there was no outstanding share option under the Share Option Scheme as at 31 December 2025 (2024: Nil).

24 DEFERRED REVENUE

Rental income receipt in advance and deferred government grants are included in deferred revenue. Rental received from lease of certain land use rights to an independent third party was deferred and recognised in the consolidated income statement on a straight-line basis over the contractual lease term. Government grants relating to the construction of several environmentally-conscious projects related to assets were deferred and recognised in the consolidated income statement on a straight-line basis over the assets' useful lives.

Movements of deferred revenue are as follows:

| | Year ended 31 December | |
|---|------------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| At beginning of the year | 2,214 | 2,416 |
| Additions of government grant | 2,852 | – |
| Amortisation of deferred government grant | (106) | (106) |
| Amortisation of deferred rental income | (96) | (96) |
| At end of the year | 4,864 | 2,214 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Trade payables | 59,030 | 62,570 |
| Notes payables | – | 54,500 |
| Payables for purchase of property, plant and equipment | 66,690 | 39,630 |
| Accrued operating expenses (a) | 3,028 | 6,829 |
| Employee benefit payable | 25,470 | 28,110 |
| Other taxes payable | 6,825 | 8,251 |
| Contract liabilities (e) | 932 | 1,244 |
| Compensation from demolition (f) | 92,014 | – |
| Others | 3,795 | 5,265 |
| | 257,784 | 206,399 |

(a) The amount mainly included accruals for transportation expenses.

(b) The Group's trade and other payables excluding non-financial liabilities were denominated in the following currencies:

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| RMB | 158,013 | 196,904 |
| USD | – | – |
| EUR | – | – |
| | 158,013 | 196,904 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE AND OTHER PAYABLES (Cont'd)

- (c) As at 31 December 2025 and 2024, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Less than 3 months | 57,405 | 83,817 |
| More than 3 months but not exceeding 1 year | 1,481 | 33,009 |
| More than 1 year | 144 | 244 |
| | 59,030 | 117,070 |

- (d) As at 31 December 2025 and 2024, all trade and other payables of the Group were unsecured and non-interest bearing.
- (e) The balance of contract liabilities in relation to sales of goods as at 31 December 2024 was RMB1,244,000 of which RMB825,000 was recognised as revenue during the year ended 31 December 2025. The balance of contract liabilities in relation to sales of goods as at 31 December 2023 was RMB737,000 of which RMB571,000 was recognised as revenue during the year ended 31 December 2024.
- (f) During the year, demolition of certain production plants commenced, and compensation of RMB181,052,000 was received from the government, of which RMB89,038,000 was utilised.

26 BORROWINGS AND LEASE LIABILITIES

- (a) Bank borrowings

| Long-term bank borrowings | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Secured bank borrowings (a) | 395,725 | 270,800 |
| Unsecured bank borrowings | 95,000 | 40,000 |
| Less: current portion of long-term borrowings | (3,300) | (5,000) |
| | 487,425 | 305,800 |

| Short-term bank borrowings | As at 31 December | |
|-----------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Secured bank borrowings (a) | — | — |
| Unsecured bank borrowings | 60,000 | 70,000 |
| | 60,000 | 70,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BORROWINGS AND LEASE LIABILITIES (Cont'd)

(a) Bank borrowings (Cont'd)

As at 31 December 2025 and 2024, the Group's borrowings were repayable as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Within one year | 63,300 | 75,000 |
| More than one year but not exceeding two years | 35,587 | 76,050 |
| More than two years but not exceeding five years | 360,711 | 199,695 |
| More than five years | 91,127 | 30,055 |
| | 550,725 | 380,800 |

Note(a): The bank borrowings of RMB395,725,000 (2024: RMB270,800,000) as at 31 December 2025, were secured by property, plant and equipment (Note 14) and land use rights (Note 15).

The effective interest rates of bank borrowings ranged from 2.75% to 3.50% per annum for the year ended 31 December 2025 (2024: 3.3% to 3.7%).

(b) Lease liabilities

As at 31 December 2025 and 2024, the repayment of lease liabilities for Group as below:

| | As at 31 December | |
|--|-------------------|-----------------|
| Lease Liabilities | 2025 RMB'000 | 2024 RMB'000 |
| Within one year | 113 | 109 |
| More than one year but less than two years | 14 | 113 |
| More than two years but less than 5 years | – | 14 |
| | 127 | 236 |

In according with HKFRS 16 Leases, the impact on the consolidated income statement and consolidated statement of cash flows is as follows

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Depreciation charge on right-of-use assets | 105 | 105 |
| Interest on lease liabilities (Note 10) | 6 | 10 |
| Expense relating to short term leases | 364 | 406 |
| Cash outflows in respect of leases (Note 29(c)) | 115 | 115 |
| Carrying amount of right-of-use assets (Note 14(b)) | 122 | 227 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFERRED INCOME TAX ASSETS

The analysis of deferred income tax assets is as follows:

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Deferred income tax assets | | |
| – to be recovered after more than 12 months | 1,857 | 1,003 |
| – to be recovered within 12 months | 1,110 | 1,875 |
| | 2,967 | 2,878 |

Movement of deferred income tax assets is as follows:

| Deferred income tax assets | Allowance for impairment of trade and other receivables RMB'000 | Inventory impairment provision RMB'000 | Deferred government grants RMB'000 | Unrealised profit on intra-group transactions RMB'000 | Tax losses RMB'000 | Total RMB'000 |
|--|--|---|---------------------------------------|--|-----------------------|------------------|
| As at 1 January 2024 | 1,116 | 216 | 176 | 369 | 1,140 | 3,017 |
| Recognised/(reversed) in the consolidated income statement | 403 | 30 | (16) | (343) | (213) | (139) |
| As at 31 December 2024 | 1,519 | 246 | 160 | 26 | 927 | 2,878 |
| As at 1 January 2025 | 1,519 | 246 | 160 | 26 | 927 | 2,878 |
| Recognised/(reversed) in the consolidated income statement | 27 | (72) | 80 | (26) | 80 | 89 |
| As at 31 December 2025 | 1,546 | 174 | 240 | – | 1,007 | 2,967 |

28 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2025 (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from operations:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Profit before income tax | 86,965 | 55,259 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (<i>Note 14(a)</i>) | 34,778 | 42,854 |
| Depreciation of right-of-use assets | 105 | 105 |
| Amortisation of land use rights | 2,257 | 1,525 |
| Amortisation of intangible assets (<i>Note 16</i>) | 1,213 | 1,567 |
| Loss on disposal of property, plant and equipment (<i>Note 7</i>) | 809 | 2,707 |
| Interest income from wealth management products | (306) | – |
| Finance costs – net (<i>Note 10</i>) | 9,854 | 12,682 |
| Allowance for impairment of trade receivables and other financial assets at amortised cost | (1,745) | 2,649 |
| | 133,930 | 119,348 |
| Changes in working capital: | | |
| Decrease/(increase) in inventories | 169 | (8,041) |
| Increase in trade and other receivables | (29,423) | (46,752) |
| Decrease in trade and other payables | (36,681) | (1,790) |
| Cash generated from operations | 67,995 | 62,765 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Carrying amount | 2,250 | 2,767 |
| Loss on disposal of property, plant and equipment (Note 7) | (809) | (2,707) |
| Set-off trade and other payable | (1,397) | – |
| Proceeds from disposal | 44 | 60 |

- (c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| Net debt | 2025 RMB'000 | 2024 RMB'000 |
|---------------------------|-----------------|-----------------|
| Cash and cash equivalents | 145,105 | 55,624 |
| Repayable within one year | | |
| – Borrowings | (63,300) | (75,000) |
| – Lease liabilities | (113) | (109) |
| Repayable after one year | | |
| – Borrowings | (487,425) | (305,800) |
| – Lease liabilities | (14) | (127) |
| Net debt | (405,747) | (325,412) |
| Cash and cash equivalents | 145,105 | 55,624 |
| Total debt | (550,852) | (381,036) |
| Net debt | (405,747) | (325,412) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Net debt reconciliation (Cont'd)

| | Other assets | Liabilities from financing activities | | | Total RMB'000 |
|---|-----------------|---------------------------------------|----------------------------------|----------------------|------------------|
| | Cash RMB'000 | Borrowing due within 1 year | Borrowing due after 1 year | Lease liabilities | |
| | | RMB'000 | RMB'000 | RMB'000 | |
| Net debt as at 1 January 2024 | 77,348 | (53,200) | (197,900) | (341) | (174,093) |
| Cash flows | (21,601) | (21,800) | (107,900) | – | (151,301) |
| Repayment of lease liabilities | | | | | |
| – capital element | – | – | – | 105 | 105 |
| – interest element | – | – | – | 10 | 10 |
| Interest expense | – | – | – | (10) | (10) |
| Foreign exchange adjustments | (123) | – | – | – | (123) |
| Net debt as at 31 December 2024 and 1 January 2025 | 55,624 | (75,000) | (305,800) | (236) | (325,412) |
| Cash flows | 90,194 | 11,700 | (181,625) | – | (79,731) |
| Repayment of lease liabilities | | | | | |
| – capital element | – | – | – | 109 | 109 |
| – interest element | – | – | – | 6 | 6 |
| Interest expense | – | – | – | (6) | (6) |
| Foreign exchange adjustments | (713) | – | – | – | (713) |
| Net debt as at 31 December 2025 | 145,105 | (63,300) | (487,425) | (127) | (405,747) |

(d) Non-cash investing and financing activities

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Acquisition of property, plant and equipment by notes receivables and inventories | 36,185 | 12,373 |
| Utilisation of government compensation for demolition of property, plant and equipment and land use right (note 25(f)) | 89,038 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the end of the year but not yet incurred are as follows:

| | As at 31 December | |
|-------------------------------|-------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Property, plant and equipment | 139,369 | 158,928 |

(b) Operating lease arrangement

The Group as lessor

The Group leases its properties under operating lease arrangements which run for an initial period of half to five years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the tenants. None of the leases include contingent rentals receivable.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date receivable by the Group in future periods as follows:

| | As at 31 December | |
|--|-------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Within one year | 199 | 1,625 |
| More than one year but not exceeding two years | 245 | 863 |
| | 444 | 2,488 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS

Key management personnel compensation

The compensations paid or payable to key management personnel (including Directors and senior management) for employee services are shown below:

| | Year ended 31 December | |
|-----------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Directors' fees | 256 | 258 |
| Wages, salaries and bonuses | 14,283 | 8,297 |
| Other social security costs | 460 | 318 |
| | 14,999 | 8,873 |

The Group paid rental expenses amounting to RMB115,200 (2024: RMB115,200) as a place of residence for Mr. Fang, an executive Director.

32 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

| | | The Company | |
|---|--|--------------------------|----------|
| | | As at 31 December | |
| <i>Notes</i> | | 2025 | 2024 |
| | | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| | Investments in subsidiaries | 53,395 | 72,406 |
| Current assets | | | |
| | Amounts due from subsidiaries | 1,331 | 1,362 |
| | Prepayment, deposits and other receivables | 1,573 | 10 |
| | Cash and cash equivalents | 682 | 9,390 |
| | | 3,586 | 10,762 |
| | Total assets | 56,981 | 83,168 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| | Share capital | 4,171 | 4,171 |
| | Other reserves | 70,629 | 91,796 |
| | Accumulated losses | (17,819) | (12,799) |
| | Total equity | 56,981 | 83,168 |
| LIABILITIES | | | |
| Current liabilities | | | |
| | Other payables and accruals | – | – |
| | Total equity and liabilities | 56,981 | 83,168 |

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2026 and is signed on its behalf by:

Sheng Yingming
Director

Fang Xu
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Cont'd)*

(b) Reserves movement of the Company

| | Share premium RMB'000 | Treasury stocks RMB'000 | Translation reserve RMB'000 | Sub-Total RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|----------------------------------|-----------------------------|-------------------------------|-----------------------------------|----------------------|----------------------------------|------------------|
| At 1 January 2024 | 111,659 | (316) | 3,634 | 114,977 | (11,068) | 103,909 |
| Repurchase of ordinary shares | - | (24,098) | - | (24,098) | - | (24,098) |
| Cancellation of ordinary shares | (3,972) | 4,054 | - | 82 | - | 82 |
| Currency translation differences | - | - | 835 | 835 | - | 835 |
| Loss for the year | - | - | - | - | (1,731) | (1,731) |
| At 31 December 2024 | 107,687 | (20,360) | 4,469 | 91,796 | (12,799) | 78,997 |
| At 1 January 2025 | 107,687 | (20,360) | 4,469 | 91,796 | (12,799) | 78,997 |
| Repurchase of ordinary shares | - | (24,807) | - | (24,807) | - | (24,807) |
| Currency translation differences | - | - | 3,640 | 3,640 | - | 3,640 |
| Loss for the year | - | - | - | - | (5,020) | (5,020) |
| At 31 December 2025 | 107,687 | (45,167) | 8,109 | 70,629 | (17,819) | 52,810 |

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out below.

RESULTS

| | For the year ended 31 December | | | | |
|--------------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| Revenue | 585,736 | 585,649 | 540,544 | 448,796 | 494,958 |
| Profit before income tax | 86,965 | 55,259 | 32,950 | 12,154 | 14,657 |
| Income tax expense | (11,117) | (7,746) | (4,597) | (96) | (1,061) |
| Profit for the year | 75,848 | 47,513 | 28,353 | 12,058 | 13,596 |

ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| Total assets | 1,147,045 | 874,916 | 694,071 | 580,956 | 593,945 |
| Total liabilities | 817,886 | 596,085 | 438,534 | 353,801 | 378,556 |
| Total equity | 329,159 | 278,831 | 255,537 | 227,155 | 215,389 |