



Hong Wei (Asia) Holdings Company Limited
鴻偉(亞洲)控股有限公司

(Incorporated in Hong Kong with limited liability) Stock code: 8191

ANNUAL REPORT 2025

**CHARACTERISTICS OF THE GEM (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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*This report, for which the directors (the “**Directors**”) of Hong Wei (Asia) Holdings Company Limited (the “**Company**” “**we**” or “**us**”, together with its subsidiaries, collectively, the “**Group**”) 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 enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects 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

REGISTERED OFFICE

Unit 603, 6/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

HEAD OFFICE IN HONG KONG

Unit 603, 6/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Industrial Park, Renhua County
Shaoguan City, Guangdong Province, PRC

COMPANY'S WEBSITE

www.hongweiasia.com

AUTHORISED REPRESENTATIVES

Ms. Liu Yan (appointed on 28 January 2026)
Ms. Leung Tsz Man (appointed on 2 January 2026)
Mr. Wong Cheung Lok (ceased on 28 January 2026)
Mr. Kwong Lun Kei Victor (ceased on 2 January 2026)

EXECUTIVE DIRECTORS

Mr. Wong Kin Ching
Ms. Liu Yan (appointed on 9 January 2026)
Mr. Wong Cheung Lok (retired on 28 January 2026)
Mr. Liu Jiayong (resigned on 11 August 2025)

NON-EXECUTIVE DIRECTOR

Mr. Chen Gang (appointed on 9 January 2026)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wai Yin Wilson
Mr. Guo Ensheng
Ms. Zhao Jianhong (appointed on 9 January 2026)
Ms. Qian Xiaoyu (resigned on 9 January 2026)

COMPLIANCE OFFICER

Mr. Wong Kin Ching

AUDIT COMMITTEE

Mr. Cheung Wai Yin Wilson (*chairman*)
Mr. Guo Ensheng
Ms. Zhao Jianhong (appointed on 9 January 2026)
Ms. Qian Xiaoyu (ceased on 9 January 2026)

REMUNERATION COMMITTEE

Mr. Guo Ensheng (*chairman*)
Mr. Cheung Wai Yin Wilson
Ms. Zhao Jianhong (appointed on 28 January 2026)
Mr. Wong Cheung Lok (ceased on 28 January 2026)

NOMINATION COMMITTEE

Ms. Zhao Jianhong (*chairlady*)
(appointed on 28 January 2026)
Mr. Cheung Wai Yin Wilson
Mr. Guo Ensheng
Mr. Wong Cheung Lok (ceased on 28 January 2026)

COMPANY SECRETARY

Ms. Leung Tsz Man (appointed on 2 January 2026)
Mr. Kwong Lun Kei Victor (*Solicitor of HKSAR*)
(resigned on 2 January 2026)

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
*Certified Public Accountants (Practising) and
Registered PIE Auditor*

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:
Michael Li & Co

GEM STOCK CODE

8191

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Kin Ching

Mr. Wong Kin Ching (formerly known as “Wong Kin Yong”) (“**Mr. Wong KC**”), aged 38, was appointed as an Executive Director and the Compliance Officer on 16 August 2019. Mr. Wong KC is experienced in operational management and marketing management in certain businesses engaged in wooden board products manufacturing and online social media respectively. He will be responsible for assisting in formulating business development strategies for the Group.

Prior to joining the Group, Mr. Wong KC served as Operations Manager in business engaging in wooden board manufacturing from 2012 to 2017. Besides, Mr. Wong KC serves as Marketing Director in business engaging online social media since 2017.

As at the date of this report, save for his beneficial interest in 18,600 shares in the Company, Mr. Wong KC has no other interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Wong KC is the son of Mr. Wong Cheung Lok, who has retired as the Executive Director of the Company on 28 January 2026.

Ms. Liu Yan

Ms. Liu Yan (“**Ms. Liu**”), aged 51, has been appointed as an Executive Director of the Company with effect from 9 January 2026. She holds a master’s degree from Chinese Academy of Forestry and has more than 25 years of experience in the forestry and wood and bamboo processing industries. Ms. Liu previously served as the general manager of Hongwei Wooden Products (Renhua) Co. Ltd., a principal operating subsidiary of the Group, where she was fully responsible for the overall operation of the company’s particleboard production line with an annual production capacity of 500,000 cubic meters, and managing the industrialized operation of the Group’s raw material forest bases of over 110,000 mu.

Ms. Liu possesses solid professional expertise in forest resource cultivation, advanced processing of timber and bamboo, under-forest economy and forestry mechanization, and in particular, has extensive experience in promoting industry-academia-research collaboration, research and development of bamboo-based new materials, and integration of the entire bamboo industry chain. She has led collaborative projects with numerous research institutions and universities, and has been responsible for the operation and management of relevant research centers and doctoral workstations.

NON-EXECUTIVE DIRECTOR

Mr. Chen Gang

Mr. Chen Gang (“**Mr. Chen**”), 52, has been appointed as a Non-executive Director of the Company with effect from 9 January 2026. He graduated from China West Normal University (formerly known as Nanchong Normal College) with a major in Trade Economics. He possesses over 25 years of cross-industry management, investment operations and corporate strategic planning experience, combining deep industrial operational expertise with professional capital operation capabilities. Since December 2018, Mr. Chen has served as vice president and director of Guangdong Micro Technology Co., Ltd., (廣東微觀科技有限公司) where he expands cross-sector management practices in the technology industry and deepens his understanding of aligning technology enterprise operational models with capital markets.

As at the date of this report, save for his beneficial interest in 2,083,333 shares in the Company, Mr. Chen has no other interests in the shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wai Yin Wilson

Mr. Cheung Wai Yin Wilson (“**Mr. Cheung**”), aged 55, was appointed as an Independent Non-executive Director on 6 October 2023. He is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Board of the Company. Mr. Cheung has over 28 years of experience in the field of audit, business development, corporate finance and financial management. He is currently an executive director of China Saftower International Holding Group Limited, a company listed on the Stock Exchange (stock code: 8623) and an independent non-executive director of Truly International Holdings Limited, a company listed on the Stock Exchange (stock code: 732). He was an executive director from August 2012 to March 2023 and the chairman and chief executive officer from August 2012 to August 2020 of Noiz Group Limited, a company listed on the Stock Exchange (stock code: 8163).

Mr. Cheung is a member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accounts and Hong Kong Securities and Investment Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr. Guo Ensheng

Mr. Guo Ensheng (“**Mr. Guo**”), aged 50, was appointed as an Independent Non-executive Director on 6 October 2023. He is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Board of the Company. Mr. Guo holds a master’s degree of marketing management and a bachelor’s degree of philosophy from Xiamen University. He has over 18 years of experience in the field of operation and corporate management and has worked as a contracted lecturer in numerous corporate management and consulting companies in the People’s Republic of China. He worked as the marketing manager and an assistant to the chief executive officer in Vedan International (Holdings) Limited and an assistant to the chairman of the board of Fuxing China Group Limited.

Ms. Zhao Jianhong

Ms. Zhao Jianhong (“**Ms. Zhao**”), aged 58, has been appointed as an Independent Non-executive Director of the Company with effect from 9 January 2026. She is also the chairlady of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company. She obtained her Master of Economic Management degree from the Guangdong Academy of Social Sciences and has nearly over 30 years of experience in finance and corporate management, with strong leadership and management abilities. She worked in major financial institutions and renowned enterprises. She currently serves as the chairman of Haifeng Industrial Investment (Guangdong) Co., Ltd. (海峰產業投資(廣東)有限公司) where she is deeply involved in capital operation activities related to Guangdong Zhongke Kechuang Venture Investment Management (廣東中科科創創業投資管理). Ms. Zhao also currently serves as the vice chairman of the Zhongshan Federation of Industry and Commerce (General Chamber of Commerce), the honorary president of the Zhongshan Science and Technology Finance Innovation Promotion Association and the executive vice president of the Zhongshan Women Entrepreneurs Association.

Since 21 February 2025, Ms. Zhao has been serving as an executive director of Pengo Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1865).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lin Shenghua

Mr. Lin Shenghua (“**Mr. Lin**”), aged 54, is the Sales and Marketing Director of Hongwei (Renhua). Mr. Lin joined our Group in January 2012 and is primarily responsible for the formulation and implementation of marketing strategies of our Group. He is also responsible for the business development and customer relationship for the regions of Shanghai, Jiangsu and Zhejiang provinces. Mr. Lin has 12 years of experience in the forestry business and worked as a marketing manager in Zhangzhou Hongwei from March 2007 to December 2011. Mr. Lin obtained his bachelor degree in chemistry from Fuzhou University (福州大學) in the PRC in July 1996.

Ms. Huang Xiuyan

Ms. Huang Xiuyan (“**Ms. Huang**”), aged 55, was an Executive Director and the Compliance Officer of the Company from 13 December 2013 until 16 August 2019 and is currently the Chief Financial Officer of Hongwei (Renhua). Ms. Huang joined our Group in June 2009 and was appointed as an Executive Director on 13 December 2013. Following the resignation of Ms. Huang as Executive Director of the Company, Ms. Huang remained to be primarily responsible for the internal auditing, internal control and the supervision of business operation of our Group. Between June 2009 and August 2012, Ms. Huang was the Chief Financial Officer of Hongwei (Renhua). Ms. Huang has over 28 years of experience in financial management and internal control in the wood-based panel industry. Before joining our Group, Ms. Huang worked as a Chief Financial Officer in Zhangzhou Hongwei from March 1994 to May 2009, and was primarily responsible for financial management, financing decisions, internal control, market development and strategic planning. Ms. Huang had also participated in the establishment of Zhangzhou Hongwei and the strategic planning for the business development of most of the companies Mr. Wong used to own.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the annual results of the Group for the year ended 31 December 2025.

In 2025, the Group continued to focus primarily on the manufacturing and sales of particleboards. Our customers are mainly include or office furniture manufacturers, sports equipment manufacturers, as well as wood-based panel processors and traders from the Pearl River Delta economic region, the Yangtze River Delta economic region and Fujian province. Our major revenue drivers include (i) a competitive product portfolio offering a wide variety of particleboards; (ii) strong customer relationships and solid market recognition; and (iii) advanced production lines with scaled capacity.

Notwithstanding these operational strengths, persistent global trade frictions and broader macroeconomic uncertainties within the Chinese economy continue to present challenges. Demand for consumer products including household furniture and fittings, sports equipment, and construction materials has remained subdued, prompting customers to increasingly seek lower-cost alternatives.

In response to these shifting market dynamics, we will continue to exercise rigorous cost control, enhance productivity, and uphold the highest standards of quality and service for our customers. Leveraging our established, long-term relationships with suppliers, the Group is actively exploring opportunities to optimize our production lines to better align with the market's growing demand for cost-effective products.

Meanwhile, the Group remains deeply committed to promoting sustainable development and fulfilling our corporate social responsibilities. We believe these ongoing efforts are essential to building sustainable, long-term value for our shareholders, employees, and all other stakeholders.

Finally, I would like to express my gratitude to our shareholders and business partners for their unwavering support throughout the year. The Group will continue to work diligently, strengthen our execution, and redouble our efforts to deliver resilient results and create greater value for our shareholders and other stakeholders.

Hong Wei (Asia) Holdings Company Limited
Liu Yan
Executive Director

Hong Kong, 31 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. Since the listing on GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in 2014 (the "**Listing**"), the Group strives to attain and uphold rigorous standards of corporate governance.

Since the Listing, the Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. Continuous efforts have been made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. For the Group, maintaining high standards of corporate governance practices is not just complying with the provisions of the CG Code but also the intent of the regulations to enhance corporate performance and accountability.

Unless otherwise stated in this annual report, the Board is pleased to report that the Company has complied with the code provisions of the CG Code for the year ended 31 December 2025.

SECURITIES DEALING CODE

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Securities Dealing Code**"). The Securities Dealing Code also applies to all employees to whom the same is given and those who are informed that they are subject to its provisions. Having made specific enquiry of the Directors and all the relevant employees, all the Directors and all the relevant employees have complied with the Securities Dealing Code throughout the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board comprises:

Name	Position	Main Responsibilities
Mr. Wong Kin Ching	Executive Director and Compliance Officer	Internal auditing, internal control and assisting in formulating business development strategies of the Group
Ms. Liu Yan (appointed on 9 January 2026)	Executive Director	Assisting in formulating strategic planning and corporate management
Mr. Wong Cheung Lok (retired on 28 January 2026)	Chairman, Executive Director and Chief Executive Officer	Overall strategic planning and corporate management, chairman of the nomination committee of the Board (the “ Nomination Committee ”), and member of the remuneration committee (the “ Remuneration Committee ”) of the Board
Mr. Liu Jiayong (resigned on 11 August 2025)	Executive Director	Finance and accounting management
Mr. Chen Gang (appointed on 9 January 2026)	Non-Executive Director	Advising on business development strategy
Mr. Guo Ensheng	Independent Non-executive Director	Chairman of the Remuneration Committee, member of the Nomination Committee and member of the audit committee (the “ Audit Committee ”) of the Board
Mr. Cheung Wai Yin Wilson	Independent Non-executive Director	Chairman of the Audit Committee, member of the Remuneration Committee and the Nomination Committee
Ms. Zhao Jianhong (appointed on 9 January 2026)	Independent Non-executive Director	Chairlady of the Nomination Committee, member of the Remuneration Committee and the Audit Committee
Ms. Qian Xiaoyu (resigned on 9 January 2026)	Independent Non-executive Director	Member of the Audit Committee

Mr. Wong Kin Ching is the son of Mr. Wong Cheung Lok, who has retired as the Executive Director of the Company on 28 January 2026. Save as disclosed herein, to the best knowledge of the Board, there are no financial, business, family or other material relationships among the Board members.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the Company has complied with Rules 5.05 (1) and (2), 5.05A and 5.06 of the GEM Listing Rules which prescribed that at least one of the Independent Non-executive Directors must have appropriate professional qualifications of accounting or related financial management expertise and an issuer must appoint at least three Independent Non-executive Directors and the number of Independent Non- Executive Directors must represent at least one-third of the Board. The number of Independent Non-executive Directors of the Company remained at three throughout 2025.

CONFIRMATION OF DIRECTORS' OBLIGATIONS

Ms. Liu Yan was appointed as an Executive Director on 9 January 2026. In compliance with Rule 5.02D of the GEM Listing Rules, Ms. Liu obtained legal advice from the legal advisers of the Company that are applicable to her as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 9 January 2026 and has confirmed that she understood her obligations as director of a company listed on the Stock Exchange under the GEM Listing Rules.

Mr. Chen Gang was appointed as a Non-Executive Director on 9 January 2026. In compliance with Rule 5.02D of the GEM Listing Rules, Mr. Chen obtained legal advice from the legal advisers of the Company that are applicable to him as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 9 January 2026 and has confirmed that he understood his obligations as director of a company listed on the Stock Exchange under the GEM Listing Rules.

Ms. Zhao Jianhong was appointed as an Independent Non-executive Director on 9 January 2026. In compliance with Rule 5.02D of the GEM Listing Rules, Ms. Zhao obtained legal advice from the legal advisers of the Company that are applicable to her as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 9 January 2026 and has confirmed that she understood her obligations as director of a company listed on the Stock Exchange under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the attendance record of each Director at the regular Board meetings, board committees meetings and general meeting held during the year ended 31 December 2025 is set out in the table below:

Name of Directors	Meetings attended/held during 2025				
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	General meeting
Executive Directors					
Mr. Wong Cheung Lok	4/4	N/A	1/1	1/1	1/1
Mr. Liu Jiayong (resigned on 11 August 2025)	4/4	N/A	N/A	N/A	1/1
Mr. Wong Kin Ching	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Ms. Qian Xiaoyu (resigned on 9 January 2026)	4/4	2/2	N/A	N/A	1/1
Mr. Cheung Wai Yin Wilson	4/4	2/2	1/1	1/1	1/1
Mr. Guo Ensheng	4/4	2/2	1/1	1/1	1/1

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

Remuneration of directors and senior management of the Group for the year ended 31 December 2025 is within the band of Nil to HK\$1,000,000.

Details of the remuneration of the Directors for the year ended 31 December 2025 are set out in note 9 to the consolidated financial statements in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board is of the view that although the role of the chairman and the chief executive officer of the Company were held by Mr. Wong Cheung Lok for the year ended 31 December 2025, this structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wong Cheung Lok and believed that his role as the chairman and chief executive officer is beneficial to the business prospects of the Company.

Upon the retirement of Mr. Wong Cheung Lok on 28 January 2026, there would be a vacancy in the position of the chairman of the Board and the chief executive officer of the Company.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The term of office of each of the Non-executive Directors (including Independent Non-executive Directors) is set out in the sub-section headed "Directors' Service Contracts" in the Report of the Directors.

Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "**Articles**"). Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

The Articles provides that, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the valuation and technical advisory services and/or other professional areas.

BOARD DIVERSITY POLICY

The Board Diversity Policy was adopted by the Board in March 2014. Under such policy, Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. A diversity of perspectives shall be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. In forming its perspective on diversity, the Company will also take into consideration factors based on its own business and specific needs from time to time. The Board believes that such merit-based appointments will enable the Company to serve its customers, employees, Shareholders and other stakeholders well.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills, recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. A record of the training received by the respective Directors are kept and updated by the Company Secretary. During the year ended 31 December 2025, all Board members have received a directors training hosted by the legal advisor to our Company on, among other things, updates on the GEM Listing Rules and enforcement decisions.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee, which assist the Board in discharging its duties and monitoring particular aspect of the Group's activities. The Board delegates the day-to-day management, administration and operation of the Group to management with clear instructions on the functions reserved to the Board and those delegated to the management. The delegated functions will be reviewed by the Board periodically to ensure that they accommodate the needs of the Group and the respective responsibilities, accountabilities and contributions of the Board and the management will be disclosed in this annual report.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc; (ii) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (iii) reviewing the Company's compliance with the CG Code and disclosure in this corporate governance report.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials such that they are able to make an informed decision and to discharge their duties and responsibilities.

AUDIT COMMITTEE

The Audit Committee currently consists of three Independent Non-executive Directors namely Mr. Cheung Wai Yin Wilson, Mr. Guo Ensheng and Ms. Zhao Jianhong (appointed on 9 January 2026), and its primary duties include reviewing and supervising the Company's financial reporting process, internal controls systems as well as risk management of the Group, and the quarterly, interim and annual results, and providing advice to the Board. Mr. Cheung Wai Yin Wilson is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee which sets out and its roles and functions are available at the Company's website and on the website of the Stock Exchange.

During the year ended 31 December 2025, the Company has complied with Rule 5.28 of the GEM Listing Rules for which prescribed that a listed issuer's audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, a total of two regular Audit Committee meeting were held to, inter alia, review the Group's financial results for the year ended 31 December 2024 and the six months ended 30 June 2025, respectively, before submission to the Board for approval. Besides, the Audit Committee reviewed the independence of McMillan Woods (Hong Kong) CPA Limited, the auditor of the Company (the "**Auditor**"); approved the Auditor's remuneration and other terms of engagement for the year ended 31 December 2025; reviewed and adopted the scope of statutory audit for the year ended 31 December 2025; and reviewed the Group's internal control, financial controls and risk management systems.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Independent Non-executive Directors namely Mr. Guo Ensheng and Mr. Cheung Wai Yin Wilson, and Ms. Zhao Jianhong (appointed on 28 January 2026), and its primary duties include providing recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management. Mr. Guo Ensheng is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee which sets out its roles and functions are available at the Company's website and on the website of the Stock Exchange.

During the year ended 31 December 2025, the Company complied with Rule 5.34 of the GEM Listing Rules which prescribed that a listed issuer's remuneration committee must comprise a majority of Independent Non- Executive Directors.

During the year ended 31 December 2025, one Remuneration Committee meeting was held to, inter alia, review the remuneration policies of the Directors and Senior Management and the general staff; and recommended to the Board on relevant matters relating to the re-election of Directors as well as the terms of renewal of appointment of an Independent Non-executive Director.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee in accordance with the emolument policy as set out in the section headed "Report of the Directors – Emolument Policy" in this annual report. Details of the Directors' emolument for the year ended 31 December 2025 are set out in note 9 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee consists of three Independent Non-executive Directors, namely Mr. Cheung Wai Yin Wilson and Mr. Guo Ensheng, and Ms. Zhao Jianhong (appointed on 28 January 2026). Its primary function is (inter alia) to review and make recommendations on the appointment or re-appointment of Directors. Ms. Zhao Jianhong is currently the chairlady of the Nomination Committee. The terms of reference of the Nomination Committee, which sets out its roles and functions, are available at the Company's website and on the website of the Stock Exchange.

During the year ended 31 December 2025, the Company complied with Rule A.5.1 of Appendix 15 of the GEM Listing Rules which prescribed that a listed issuer's nomination committee must comprise a majority of Independent Non-executive Directors.

During the year ended 31 December 2025, one Nomination Committee meeting was held to, inter alia, assess the independence of the independent non-executive Directors and review the re-election of Directors at the forthcoming annual general meeting and the re-appointment of independent non-executive Directors during the year. Besides, the Nomination Committee has also reviewed the structure, size and composition of the Board and considered and recommended the candidates to the Board for consideration to be appointed as the Executive Directors and Independent Non-executive Director of the Company.

Upon recommendation of the Nomination Committee, the Board adopted the Board Diversity Policy on 26 March 2014 setting out the approach to diversity of the Board. The Board Diversity Policy facilitates the Board to make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of members of the Board. These criteria will be taken into account in determining the optimum composition of the Board. The Board Diversity Policy will be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness to cope with needs of the Company's business development from time to time.

NOMINATION POLICY

The Company adopted a nomination policy concerning the selection criteria and procedures in respect of the appointment and reappointment of Directors. The factors that would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate include:

- (a) mix of Board members that promotes diversity of background and experience on the Board;
- (b) competency;
- (c) age of potential/existing Director;
- (d) independence of potential/existing Board member;
- (e) business, technical, or specialised skills and experience of member/potential member;
- (f) ability, time, commitment and willingness of a new member to serve and an existing member to continue service; and
- (g) specific value a member/potential member can add to the Board.

CORPORATE GOVERNANCE REPORT

Nomination Procedure and Process

The Nomination Policy includes the following procedure and process in respect of the nomination of Directors:

1. The Nomination Committee shall identify and upon receipt an appointment proposal, evaluate individual(s) suitably qualified to become Board member(s), having due regard to the Nomination Policy and the Board Diversity Policy, and assess the independence of the proposed Independent Non-Executive Director(s) as appropriate. The Nomination Committee shall then make recommendations to the Board.
2. The Board may confirm the appointment of the individual(s) as Director(s) or recommend the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board shall be subject to re-election by the shareholders of the Company at the next general meeting after initial appointment in accordance with the Company's Articles.
3. The Nomination Committee shall review the overall contribution and service to the Company of each retiring Director, having regard to the Nomination Policy and the Board Diversity Policy, and assess the independence of each retiring Independent Non-executive Director. The Nomination Committee shall then make recommendations to the Board.
4. The Board may recommend the retiring Director(s) to stand for re-elections at the annual general meeting in accordance with the Company's Articles.

During the year ended 31 December 2025, the Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides information and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. Since June 2020, the Group has outsourced certain of its financial reporting functions. The Group will continue to strengthen its controls over the financial reporting functions and has assigned a staff to review outsourced work.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the consolidated financial statements of the Group that give a true and fair view of the financial position of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

CORPORATE GOVERNANCE REPORT

Risk management and internal control

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board conducted review from time to time during the year to monitor the effectiveness of all material controls, including financial, operational and compliance controls, risk management function, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group has established internal control systems to identify, evaluate and manage significant risks. The board of directors oversees the company's risk management and internal control systems on an ongoing basis and acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main features of the risk management and internal control systems

Bottom up from the operational level, each functional units of the Group performs risk identification, assessment and mitigation across the business. The management implements, monitors and reviews the risk management and internal control systems of the Group.

The Board has overall responsibility for the risk management and internal control systems and for reviewing their effectiveness by regular discussion with management and the internal auditor and external auditor during the year. Controls of different function will be reviewed on rotational basis in order to ensure regular review and follow up are in place. And the Board conducted ongoing review during the year to monitor the effectiveness of all material controls, including financial, operational and compliance controls, risk management function, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. Internal auditor met with the management to report on their review of controls of selected function annually.

The Audit Committee, acting on behalf of the Board, oversees the following process: (i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks, (ii) regular reviews of the business process and operations reported by internal auditor, and (iii) regular reports by the external auditor of any control issues identified in the course of their work and discussion with the external auditor of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems. The Board then considers the work and findings of the Audit Committee in forming its own view on the effectiveness of the systems.

Internal audit

Internal audit is conducted annually by independent third parties which carries out analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system, which can provide an assessment of whether the procedures, systems and controls (including accounting and management systems) of the Group are adequate. Senior management and Audit Committee will review the findings and deficiencies in the internal audit report to improve the Group internal control. Internal auditor will then conduct a follow- up review to assess whether the recommendations in the report have been adopted or whether the Group has adopted any approaches and measures to remedy the deficiencies identified (if any). The internal audit function provides independent assurance as to the effectiveness of the risk management systems and controls.

During 2025, ongoing review of the effectiveness of the risk management and internal control systems was conducted by the Board and the Directors considered that the risk management and internal control systems of the Group are effective and adequate.

CORPORATE GOVERNANCE REPORT

Code of Conduct and Handling of Inside Information

The Group places strong emphasis on the ethical and professional standards of the directors and employees of the Group.

Internal control manual and employee handbook have been established to prevent fraud and separate duties between employees within the Group. Every employee is required to comply with internal control manual and employee handbook and is expected to achieve the highest standards of behaviour including avoiding conflict of interest, fraud and corruption.

The Group sets out guidelines to the Directors to ensure inside information of the Group is to be disseminated to the public in equal and timely manner. Briefing session is held for officers to facilitate their understanding and compliance with the policy.

Directors and employees who possess unpublished inside information is required that any documents or other written material in his/her possession in relation to that information are properly and securely stored and are not disclosed to any unauthorised persons.

Internal control manual set out a strict prohibition on the unauthorised use of inside information.

The Group has established a platform to encourage reporting of corruption and fraud. The relevant reporting procedures are set out in the employee handbook. The board of directors review the effectiveness of internal control manual annually.

Based on information furnished to it and on its own observations, the Board is satisfied with the present internal controls of the Group for the year ended 31 December 2025 and as of the date of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the fees paid to the Company's auditor are set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Annual audit services	850

COMPANY SECRETARY

On 2 January 2026, Ms. Leung Tsz Man, an external services provider, has been appointed as the Company Secretary of the Company. Her primary contact person at the Company is Ms. Liu Yan, an executive director of the Company.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board and Board committees procedures are followed, and for facilitating communications among Directors, senior management as well as with Shareholders. During the year ended 31 December 2025, the Company Secretary undertook over 15 hours of professional training to update his/her skills and knowledge.

CORPORATE GOVERNANCE REPORT

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage to Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage and amount are reviewed on an annual basis.

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

The Articles provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings may also be convened on requisition, or, in default, may be convened by the requisitionists, as provided by the Companies Ordinance, which stipulates that the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to acs@hongweiasia.com for the attention of the Company Secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests to it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to acs@hongweiasia.com for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy and has also established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.hongweiasia.com.

CONSTITUTION

For the year ended 31 December 2025, there had been no change in the Company's constitutional document.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2025 (the “**Current Period**”), the Group continued to be engaged in the manufacturing and selling of particleboards (the “**Particleboards Segment**”) and the plantation, timber logging and sales of bamboo, wood and agricultural products in the PRC (the “**Forestry Segment**”).

Particleboards Segment

During the Current Period, our products were principally used by our customers in the manufacture of furniture and fixtures, sport equipment, decoration and construction materials. Meanwhile, the Chinese economy continued to face uncertainties under the pressure of the ongoing Sino-United States conflicts and the volatility of worldwide capital markets. The negative impacts on the export market have indirectly affected the domestic consumer demand for particleboards. And for the domestic demand for consumer products such as household furniture and fixtures, sport equipment as well as construction materials had remained at a low level and they are looking for lower-cost substitute.

In 2025, the Group’s Quan Zhu particleboard production line underwent comprehensive trial operations and an initial ramp-up phase. Through this period of testing and calibration, we have actively optimized our production parameters. Due to the high technical barriers involved in producing bamboo particleboards and the current scarcity of supply in the market, this product line remains a strategic focus positioned to contribute higher profit margins. Building on the operational experience gained during this year’s trial phase, we are fully committed to refining our processes to achieve better economies of scale and enhanced operational efficiency in 2026. We anticipate a significant improvement in both the production volume and yield of these premium boards in the coming year.

In this challenging environment, we are determined to optimize our supply chain operations to mitigate business risks. We aim to strengthen our overall sustainability and market competitiveness by implementing stringent cost-control measures and improving operational efficiencies.

While the initial outbreak of the pandemic is behind us, the lingering economic repercussions continue to create uncertainties in the global and domestic markets. The operational environment for enterprises remains dynamic and challenging. This extended economic pressure has further tightened consumer spending, leading to reduced demand for furniture and construction materials. Consequently, these adverse macroeconomic conditions significantly impacted the Group’s revenue in 2025.

Forestry Segment

During the Current Period, the Group had not received any update on the measures regarding the grant by the relevant government department of timber wood harvesting quotas which have been materially curtailed as part of the PRC government’s policy to strengthen environmental protection since the end of 2018. The Group highly recognises global climate change’s risks and opportunities, and actively supports the PRC government’s efforts to achieve the goal of carbon neutrality before 2060. To support the PRC government’s environmental protection supervision as the main line, the Group will improve the environmental management system and control with our forestry asset and is going to contribute to the realisation of “carbon neutrality”. Nevertheless, the Group will continue to further explore and assess other possible alternatives to utilize its forestry resources in order to benefit the Group as a whole.

MANAGEMENT DISCUSSIONS AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2025, the Group's revenue for Particleboards Segment decreased to approximately HK\$101.69 million from approximately HK\$314.38 million, representing a decrease of approximately 68% as compared to the year ended 31 December 2024. The decrease was mainly due to the production and sales of products have decreased.

During the years ended 31 December 2025 and 2024, no income generating activity took place for the Forestry Segment and hence no revenue was recognised for such segment.

Cost of Sales

During the year ended 31 December 2025, the Group's costs of sales decreased to approximately HK\$98.67 million from approximately HK\$280.44 million, representing a decrease of approximately 65% as compared to the year ended 31 December 2024. The decrease was mainly due to the decrease in sales.

Gross profit and margin

During the year ended 31 December 2025, the Group's gross profit decreased to approximately HK\$3.02 million from approximately HK\$33.93 million, representing a decrease of approximately 91% as compared to the year ended 31 December 2024. The Group's gross profit margin decreased to approximately 3% for the year ended 31 December 2025 from approximately 11% for the year ended 31 December 2024. The decrease in gross profit was mainly attributable to generally in line with the decrease in revenue during the year.

Other income and other gains and losses

During the year ended 31 December 2025, the Group's other income and other gains and losses decreased to approximately HK\$11.92 million from approximately HK\$23.16 million, representing a decrease of approximately 49% as compared to the year ended 31 December 2024. The decrease was mainly attributable to a significant reduction in VAT refund to approximately HK\$7.00 million during the year (2024: approximately HK\$12.80 million), the recognition of an allowance for inventories of approximately HK\$10.78 million during the year (2024: Nil), and was partially offset by the gain on disposal of biological assets of approximately HK\$5.39 million.

Impairment loss on property, plant and equipment

During the year ended 31 December 2025, the Group recognised an impairment loss on property, plant and equipment of approximately HK\$28.36 million (2024: Nil).

The impairment was primarily attributable to a significant decline in the recoverable amount of certain property, plant and equipment, as determined by an independent valuer based on market conditions and the assets' value-in-use.

Impairment loss on right-of-use assets – forestlands

As at 31 December 2025, no impairment loss on right-of-use assets was recognised (2024: impairment loss of approximately HK\$2.08 million). The decrease was primarily due to stabilisation in the market conditions for comparable forestlands during the year.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Impairment loss on intangible assets

During the year ended 31 December 2025, the Group recognised an impairment loss on intangible assets of approximately HK\$0.08 million (2024: Nil).

The impairment was primarily attributable to a significant decline in the recoverable amount of certain intangible assets, as determined by an independent valuer based on market conditions and the assets' value-in-use.

Impairment loss on trade receivables

During the year ended 31 December 2025, the Group recognised an impairment loss on trade receivables of approximately HK\$27.54 million (2024: approximately HK\$18.66 million). The increase was primarily attributable to a deterioration in the credit risk profile of certain customers and the prolonged ageing of outstanding receivables.

Impairment loss on deposits and other receivables

During the year ended 31 December 2025, the Group recognised an impairment loss on deposits and other receivables of approximately HK\$0.52 million (2024: reversal of impairment loss of approximately HK\$0.26 million).

The impairment was primarily attributable to heightened credit risk and reduced recoverability of certain deposits and receivables.

Valuation changes of biological assets

During the year ended 31 December 2025, the net loss arising from changes in fair value less costs to sell of biological assets amounted to approximately HK\$0.01 million (2024: approximately HK\$0.22 million) has been recognised. The Valuers adopted the market comparison approach with reference to market determined prices, cultivation areas and species, which has taken into consideration (i) the market determined prices of the similar timbers available in the market and (ii) the costs to sell such timbers as of the date of valuation. Because of the favourable effect on the above factors, the fair value less costs to sell of the biological assets has decreased significantly.

Selling and distribution expenses

During the year ended 31 December 2025, the Group's selling and distribution expenses decreased to approximately HK\$19.61 million from approximately HK\$21.55 million during the year ended 31 December 2024, representing a decrease of approximately 9%, which was mainly attributable to the decrease in transportation and packaging costs incurred during the year.

Administration expenses

During the year ended 31 December 2025, the Group's administration expenses increased to approximately HK\$46.53 million from approximately HK\$43.67 million, representing an increase of approximately 7% as compared to the year ended 31 December 2024. There were no significant changes in administrative expenses during the year.

Finance costs

During the year ended 31 December 2025, the Group's finance costs decreased to approximately HK\$17.32 million from approximately HK\$23.96 million, representing a decrease of approximately 28% as compared to the year ended 31 December 2024. The decrease was mainly due to decrease in bank and other borrowings.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Loss for the year attributable to owners of the Company

During the year ended 31 December 2025, the Group's loss attributable to owners of the Company increased to approximately HK\$138.42 million from approximately HK\$46.28 million, representing an increase of approximately 199% as compared to the year ended 31 December 2024. Such increase was mainly due to a decrease in revenue and gross profit from sale of particleboards, an increase in provision for impairment of trade receivables, and impairment losses recognised on certain items of property, plant and equipment.

Total comprehensive loss attributable to owners of the Company

During the year ended 31 December 2025, the Group's total comprehensive loss attributable to owners of the Company increased to approximately HK\$128.44 million from approximately HK\$58.70 million, representing an increase of approximately 119% as compared to the year ended 31 December 2024. Total comprehensive loss mainly comprises loss for the year.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Potential fluctuation in the prices of raw materials

The Directors consider that residual wood is one of the major raw materials for particleboard production which accounted for approximately 24.0% of the total procurement for the year ended 31 December 2025 (2024: 41.6%).

Our average purchase cost of residual wood was approximately RMB394.09 per tonne for the year ended 31 December 2025 and approximately RMB446.07 per tonne for the year ended 31 December 2024. As a primary raw material, fluctuations in the price and availability of residual wood directly impact particleboard production costs. We anticipate upward price pressure in the coming years due to rising demand. Furthermore, as an organic byproduct, supply remains highly sensitive to uncontrollable environmental factors including adverse weather and infestations which may lead to shortages or further cost increases.

Collection risks associated with credit sales

Our trading terms with some of our customers are primarily on credit. The credit terms are generally up to 90 days. We are exposed to possible credit risks as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. We will monitor our trade receivables closely to minimise the credit risks.

Competitive market

We face competition from existing and new players in the particleboard industry in the PRC. To compete effectively and maintain our sales level, we may be forced to, among other actions, reduce prices, provide more sales incentives to customers and increase capital expenditures, which may in turn negatively affect our profit margins.

Our Directors are of the view that particleboard customers have been careful in selecting their particleboard suppliers and are likely to partner with accepted and reliable suppliers and prefer to work with such suppliers on a long term basis. Our Directors believe that our success depends on our ability to compete effectively against our competitors in terms of product quality, stable supplies, research and development capability, customer service, pricing, timely delivery, scale and capacity, efficiency and technical know-how. The Group will strive to maintain its competitiveness by providing products with reliable quality at a competitive price.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Operating risks related to the biological assets

The Group is exposed to the following operating risks related to its biological assets:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at complying with local environmental and other laws. Management will perform regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. Such risks may also arise from material curtailment or suspension of timber wood harvesting quotas (which are typically granted on an annual basis) to be granted by relevant government department to privately owned enterprises as part of the PRC government strengthening in the drive of environmental protection. The Group is assessing the feasibility of different business strategy that seeks to better utilise its forestry assets.

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. The Group's forestlands are maintained for the purpose of providing a stable source of raw materials to the Group to produce particleboards for sale. Where possible, the Group will align harvest volume to its production schedule so as to ensure continuous production of particleboards.

(iii) Climate and other natural risks

The Group's biological assets are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The Group has adopted different measures aimed at monitoring and mitigating those risks, including regular forest inspections by setting up forest patrol team.

KEY PERFORMANCE INDICATORS

The Directors consider that financial key performance indicators include revenue, gross profit and margin and (loss)/profit attributable to owners of the Company as set out under the sub-section headed "Financial Review" above as these are commonly used as indicators of the financial performance of a company.

Non-financial key performance indicator includes the total volume of particleboards produced per annum which is an indicator of our production capacity.

TOTAL VOLUME OF PARTICLEBOARDS PRODUCED PER ANNUM

The Group produced an aggregate of approximately 101,291 cubic meters particleboards in 2025, comparing to approximately 245,500 cubic meters in 2024. The Group is seeking to improve the utilisation rate of its production capacity by exploring new customers and providing more variety of specifications of particleboards in different sizes and thickness to meet the needs of different market segments.

Data used as the financial and non-financial key performance indicators for the two financial years ended 31 December 2025 and 2024 are sourced from the Group's internal records and consistent methods of calculation are applied.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

In view of the existing contractual obligation and constraints the Company made with its major creditor (particularly the Notes Subscriber) and other financial institutions, Mr. Wong's associate have entered into unsecured loan agreements with the Company in order to allow the Company to access timely financial resources to fulfill its general working capital purposes.

MANAGEMENT DISCUSSIONS AND ANALYSIS

As at 31 December 2025 and 2024, the Group had net current assets of approximately HK\$103.72 million and HK\$52.78 million respectively. As at 31 December 2025, all bank borrowings are dominated in RMB. The current ratio of the Group, being its current assets over its current liabilities, stood at 1.6x as at 31 December 2025 (2024: 1.2x). No material change in current ratio between years.

GEARING RATIO

As at 31 December 2025, the gearing ratio stood at 5.6x (2024: 2.0x) calculated by total borrowings (including lease liabilities, bank and other borrowings and notes payable) over shareholders' equity. Advancement of long-term other borrowings to replace short-term bank borrowings to meet the working capital needs results in decrease in gearing ratio as at 31 December 2025.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2025 and 2024, functional currency of the Company and its major operating subsidiary is RMB while the presentation currency of the Company is HKD. The Group's bank balances were mainly denominated in RMB and HKD. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. As at 31 December 2024, notes payable were denominated in HKD.

Other than as described above, the Group has no significant exposure to foreign currency risk as it carries out its sales and purchases mainly in RMB.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. In order 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 commitments can meet its funding requirements.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

No other acquisition and disposal of subsidiaries and associated companies were noted during the year ended 31 December 2025.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE" in Management Discussion and Analysis, the Group had no definite future plans for material investments and capital assets as at 31 December 2025. The Group has no plan for material investments or capital assets except that the Group will acquire machineries and continue the construction work.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group did not have any significant capital commitment nor contingent liabilities as at 31 December 2025.

MANAGEMENT DISCUSSIONS AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed a total of 168 employees (2024: 219). The remuneration payable to our employees included fees, salaries, retirement benefits scheme contributions and other benefits. For the years ended 31 December 2025 and 2024, the remuneration was approximately HK\$7.24 million and HK\$7.18 million, respectively. The Group determines the employee's remuneration based on factors such as qualifications, duty, contributions and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive, consistent with best practice and supports the interests of the Shareholders. The Group aims to align the interests of the senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

DIVIDEND

Dividend Policy

Dividends may be paid out by ways of cash or by other means we consider appropriate. Payment of any dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant. The declaration, payment and amount of any future dividends will be subject to our constitutional document comprising the Articles of Association, where necessary, the approval of our Shareholders.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: nil).

FUTURE PLANS AND PROSPECT

The prospect of the macroeconomic conditions in 2024 remain grim and complicated. Due to the COVID-19 outbreak, major developed economies are expected to report weak economic growth. In China, the economy is still in its downward cycle, with an insufficient economic growth momentum, weak financing environment, and unfavorable corporate investment sentiment. Further, the ongoing trade war between China and the United States remains uncertain as to whether additional tariffs would be imposed on furniture products exported from the Mainland China to the United States. The Group's particleboard business will be adversely affected if tariffs were imposed. The Group will closely monitor changes in the domestic policies and continue its efforts in taking proactive production cost saving initiatives, strengthening the controls of the inventory level, negotiating with customers regarding product pricing and considering the feasibility of developing more variety of specifications of particleboards in sizes and thickness to meet the need in different market segments.

We find that the domestic market demand is shifting from quality oriented to cost oriented, we are looking for opportunity to improve and modify our production line to meet this market shift.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Since the grant of timber wood harvesting quotas have been materially curtailed in 2018 as part of the PRC government's policy to strengthen environmental protection, and such enhanced control is expected to last for a period which is unknown to the Group at the moment, the Group has commenced the feasibility study on new business strategy that seeks to better utilise its forestry resources. In this regard, the Company has noted that the PRC government is supportive of the development and promotion of a more diverse and ecologically friendly forestry economy, such as undergrowth planting, aquaculture, collection and forest tourism. The aim is to achieve ecological protection and economic development in a manner consistent with the State's strategy of developing a green economy, a low-carbon economy and a circular economy. The Group highly recognises global climate change's risks and opportunities, and actively supports the PRC government's efforts to achieve the goal of carbon neutrality before 2060. To support the PRC government's environmental protection supervision as the main line, the Group will improve the environmental management system and control with our forestry asset and is going to contribute to the realisation of "carbon neutrality". The Group will closely keep track of changes in the relevant policies and regulations that implement such governmental approach and will be taking proactive initiatives to maximize the value of its forestry assets.

USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

(I) Subscription of new shares under general mandate on 24 June 2025

On 24 June 2025 (after trading hours), the Company and Mr. Chu Hin Ming Alfonso (the "Subscriber") entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a total of 10,531,000 shares (in two equal tranches of 5,265,500 new shares), at the subscription price of HK\$0.151 per subscription share. The subscription was completed on 11 and 24 July 2025 respectively, pursuant to which 10,531,000 new shares were duly allotted and issued to the Subscriber.

The gross proceeds and net proceeds from the issue of the shares are estimated to be HK\$1,590,181 and HK\$1.5 million respectively. The Company intended to use such net proceeds for general working capital of the Group.

A summary of the utilisation of the net proceeds and the timeline for the full utilisation of the unutilised net proceeds is set out in the table below:

Use of Proceeds	Allocation of Net Proceed (approximately) HK\$	Approximate percentage of total net proceeds %	Amount Utilized as at 31 December 2025 HK\$	Remaining balance of net proceeds as at 31 December 2025 HK\$	Timeline for full utilisation of the unutilised net proceeds HK\$
General working capital	1,500,000	100%	1,500,000	–	Fully utilized by 31 December 2025
Total	1,500,000	100%	1,500,000	–	

MANAGEMENT DISCUSSIONS AND ANALYSIS

(II) Subscription of new shares under general mandate on 29 December 2025 and 30 December 2025

On 29 and 30 December 2025 (after trading hours), the Company and Mr. Chen Gang (the “**Subscriber A**”), Ms. Zuo Lijun (the “**Subscriber B**”), Mr. Xiao Yongjie (the “**Subscriber C**”) and Ms. Huang Jiamin (the “**Subscriber D**”) (collectively the “**Subscribers**”) entered into the subscription agreements and supplemental subscription agreements respectively, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers has conditionally agreed to subscribe for a total of 10,531,237 shares, at the subscription price of HK\$0.128 per subscription share. The subscription was completed on 15 January 2026, pursuant to which 2,083,333 shares for each of the Subscriber A, the Subscriber B and the Subscriber C and 4,281,238 shares for the Subscriber D were allotted and issued by the Company.

The gross proceeds and net proceeds from the issue of the shares are estimated to be HK\$1,348,000 and HK\$1,248,000 respectively. The Company intended to use the net proceeds (i) for general working capital of the Group and (ii) for repayment of borrowings.

A summary of the utilisation of the net proceeds and the timeline for the full utilisation of the unutilised net proceeds is set out in the table below:

Use of Proceeds	Allocation of Net Proceed (approximately) <i>HK\$</i>	Approximate percentage of total net proceeds %	Amount Utilized as at 31 December 2025 <i>HK\$</i>	Remaining balance of net proceeds as at 31 December 2025 <i>HK\$</i>	Timeline for full utilisation of the unutilised net proceeds <i>HK\$</i>
General working capital	124,800	10%	124,800	–	Fully utilized by 31 December 2025
Repayment of borrowings	1,123,200	90%	1,123,200	–	Fully utilized by 31 December 2025
Total	1,248,000	100%	1,248,000	–	

REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in manufacturing and sales of particleboards (“**Particleboards Segment**”) and the timber logging, plantation and sales of bamboo, wood and agricultural products in the PRC (“**Forestry Segment**”). Particleboards are made with raw materials such as undersized log, wood branches and agriculture and forestry residues, and hence they are generally considered to be environmentally-friendly and resources- saving reconstituted wood-based panels. During the year ended 31 December 2025, there was no significant change in the nature of the Group’s principal activities.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out in the section headed “Five-Year Financial Summary” in this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK\$150,550 (2024: HK\$115,000).

SHARE CAPITAL

Details of the movement of share capital of the Company are set out in note 28 to the consolidated financial statements.

SECURED AND GUARANTEED NOTES

Details of the notes issued by the Company are set out in note 27 to the consolidated financial statement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

PLACING OF SHARES

For the year ended 31 December 2025, neither the Company nor its subsidiaries have placed shares.

For subscription of new shares under general mandate, please refer to “Use of Proceeds” under the Management Discussions and Analysis of this report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2025 are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company did not have any distributable reserves which are available for distribution to equity holders as at 31 December 2025.

REPORT OF THE DIRECTORS

EQUITY LINKED AGREEMENT

Save as disclosed in the sub-section headed “Share Option Scheme” in this Report of the Directors, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the Share Option Scheme as disclosed in more detail below, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 19 December 2013 (the “**Adoption Date**”). The Share Option Scheme shall continue in force for a period of 10 years commencing from the Adoption Date (the “**Scheme Period**”). During the Scheme Period, no option has been granted, vested or cancelled, or has lapsed under the Share Option Scheme.

The Share Option Scheme expired on 18 December 2023. Saved as disclosed above, there was no outstanding Share Option at the beginning and/or at year ended 31 December 2025.

The Company has not adopted any new share option scheme since then.

PERMITTED INDEMNITY PROVISION

The Articles provides, among others, that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office, provided that such Article shall only have effect in so far as its provisions are not avoided by or would (were it not for this provision) not breach the Companies Ordinance. This indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2025 attributable to the Group’s major customers and suppliers were as follows:

- (1) The aggregate amount of revenue attributable to the Group’s five largest customers represented approximately 86% (2024: 41%) of the Group’s total revenue. The amount of revenue from the Group’s largest customer represented approximately 59% (2024: 18%) of the Group’s total revenue.
- (2) The aggregate amount of purchases attributable to the Group’s five largest suppliers represented approximately 23% (2024: 23%) of the Group’s total purchases. The amount of purchases from the Group’s largest supplier represented approximately 6% (2024: 6%) of the Group’s total purchases.

None of the Directors nor any of their close associates nor any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company’s number of issued shares) had any interest in any of the Group’s five largest customers and/or five largest suppliers during the year.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY

The Directors of the Company during the year ended 31 December 2025 and up to the date of this report were as follows:

Executive Directors

Mr. Wong Kin Ching
Ms. Liu Yan (appointed on 9 January 2026)
Mr. Wong Cheung Lok (retired on 28 January 2026)
Mr. Liu Jiayong (resigned on 11 August 2025)

Non-executive Director

Mr. Chen Gang (appointed on 9 January 2026)

Independent Non-executive Directors

Mr. Cheung Wai Yin Wilson
Mr. Guo Ensheng
Ms. Zhao Jianhong (appointed on 9 January 2026)
Ms. Qian Xiaoyu (resigned on 9 January 2026)

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS AND SUPERVISOR OF THE COMPANY'S SUBSIDIARIES

During the year ended 31 December 2025, Mr. Wong Cheung Lok, Ms. Cheung Ngar Kwan and Mr. Wong Kin Ching are also directors of certain subsidiaries of the Company. Mr. Wong Kin Keung is the supervisor of the Company's subsidiaries established in the PRC during the year and up to the date of the report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Directors

In August 2024, Mr. Wong Kin Ching signed the renewed service agreement with the Company for a fixed term of two years, and is subject to retirement and re-election at the general meetings of the Company in accordance with the memorandum and articles of association of the Company.

On 9 January 2026, Ms. Liu Yan entered into a service agreement with the Company for an initial term of three years, which may be terminated by either party giving to the other not less than one month's prior notice in writing. Ms. Liu shall be subject to retirement at the next following general meeting of the Company after her appointment and shall then be eligible for re-election at that meeting. Ms. Liu shall also be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since her last re-election pursuant to the memorandum and articles of association of the Company.

(b) Non-Executive Director

On 9 January 2026, Mr. Chen Gang entered into a service agreement with the Company for an initial term of three years, which may be terminated by either party giving to the other not less than one month's prior notice in writing. Mr. Chen shall be subject to retirement at the next following general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. Mr. Chen shall also be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election pursuant to the memorandum and articles of association of the Company.

(c) Independent Non-Executive Directors

On 6 October 2025, Mr. Guo Ensheng and Mr. Cheung Wai Yin Wilson have entered into renewed letters of appointment with the Company for a fixed term of two years, and is subject to retirement and re-election at the general meetings of the Company in accordance with the memorandum and articles of association of the Company.

On 9 January 2026, Ms. Zhao Jianhong entered into a letter of appointment with the Company for an initial term of three years, which may be terminated by either party giving to the other not less than one month's prior notice in writing. Ms. Zhao shall be subject to retirement at the next following general meeting of the Company after her appointment and shall then be eligible for re-election at that meeting. Ms. Zhao shall also be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since her last re-election pursuant to the memorandum and articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the section headed "Secured and Guaranteed Notes" above, and save as disclosed in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed above, there was no other transaction, arrangement or contract of significance subsisting during or at the end of the financial year in which a Director or an entity connected with a Director is or was materially interested (either directly or indirectly).

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Secured and Guaranteed Notes" above, and save as disclosed in note 27 to the consolidated financial statements, none of the Company or any of its subsidiaries had entered into any contract of significance with the controlling shareholder of the Company, namely Mr. Wong Cheung Lok, for the provision of services to the Group by the controlling shareholder and/or otherwise during year ended 31 December 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2025.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors for the year ended 31 December 2025 are set out in note 9 to the consolidated financial statements in this annual report. During the year ended 31 December 2025, there was no arrangement under which any Directors waived or agreed to waive any remuneration.

EMOLUMENT POLICY

The Remuneration Committee is set up for, among others, reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in note 31(b) to the consolidated financial statements.

REPORT OF THE DIRECTORS

COMPLIANCE WITH NON-COMPETITION DEED

Mr. Wong Cheung Lok, our controlling shareholder (the “**Covenanter**”) entered into a deed of non-competition (the “**Non-competition Deed**”) in favour of the Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business. Mr. Wong has confirmed to the Company that the Non-competition Deed has been fully complied with during the year ended 31 December 2025 and up to the date of this report.

Details of the undertaking has been set out in the section headed “Relationship with Controlling Shareholders” of the prospectus of the Company date 27 December 2013.

THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Aggregate number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in our Company
Mr. Wong Cheung Lok (“ Mr. Wong ”)	Beneficial owner	21,500,000 (L)	34.02%
Ms. Cheung Ngar Kwan (“ Mrs. Wong ”) (Note 2)	Interest of spouse	21,500,000 (L)	34.02%
Mr. Wong Kin Ching	Beneficial owner	18,600 (L)	0.03%

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mrs. Wong is the spouse of Mr. Wong. Under the SFO, Mrs. Wong is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 2025, none of any other persons (other than a Director or chief executive) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2025, save as disclosed below, none of the Directors, the controlling shareholder of the Company or any of their respective close associates, has engaged in any business that competes or may compete with the business of the Group, or has or may have any other conflict of interest with the Group.

At the date of this report, Mr. Wong Kin Ching, directly or indirectly, owned the following companies of which he also serves as the sole director: Gifted Multitude Limited, Hung Tat Investment (Hong Kong) Company Limited and Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司). Gifted Multitude Limited and Hung Tat Investment (Hong Kong) Company Limited are investment holding companies which wholly own, directly or indirectly, Shaoguan Hongwei Forestry Company Limited (韶關鴻偉林場有限公司), which is the operating company incorporated in the PRC and engaged in the forestry plantation business, including forestry planting and development with respect to forestlands located at Renhua County, Guangdong Province, PRC.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of connected and related party transactions are set out in note 35 to the consolidated financial statements. Those transactions are fully exempt from announcement, shareholders' approval, annual review and all disclosure requirements under the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules for the financial year ended 31 December 2025 and up to the date of this report.

BUSINESS REVIEW

Further discussion and analysis of principal activity of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business, an analysis using financial key performance indicators, a discussion of principal risks and uncertainties facing the Group and an indication of likely future developments of the Group's business, are set out in the section of "Management Discussions and Analysis" contained in this report.

REPORT OF THE DIRECTORS

EVENTS AFTER REPORTING PERIOD

1. Change of Company Secretary and Authorised Representative with effect from 2 January 2026

Mr. Kwong Lun Kei Victor has resigned as the company secretary of the Company (the “Company Secretary”) and the authorised representative of the Company under Rule 5.24 of the GEM Listing Rules (the “Authorised Representative”).

Ms. Leung Tsz Man has been appointed as the Company Secretary and the Authorised Representative of the Company.

2. Completion of subscription of new shares under general mandate on 15 January 2026

Please refer to the section of “USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE” under Management Discussions and Analysis of this report.

Save as disclosed above, the Group has no other significant events after the reporting period up to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental policies and performance, key relationships with the Group’s employees, suppliers and customers matters, and the Group’s compliance with the relevant laws and regulations that have a significant impact on the Group are set out below:

Environmental policies and performance

The Group has observed relevant PRC laws and regulations for environmental protection, energy conservation and emission reduction. The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is closely following the rules and regulations of the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and The Forestry Law of the People’s Republic of China (中華人民共和國森林法). In 2016, the environmental protection bureau of Shaoguan City, Guangdong Province confirmed that the particleboards production facility of Hongwei Wooden Products (Renhua) Co. Ltd. satisfied the relevant environmental protection requirements. Our formaldehyde-free particleboards have met the Chinese GB/T 4897.1,~4897.7-2003 standard and the European EN 312: 2003 standard. In addition, we have completed the application procedures for the no-added formaldehyde (NAF) certificate to be issued by the California Air Resource Board (CARB) with respect to our formaldehyde-free particleboards. Our fire resistant particleboards have met the Chinese GB/T4897-92A standard in terms of their physical and mechanical properties and the French NF P92501M1 and the Chinese GB8624-1997B1 standards in terms of their flame retardancy.

REPORT OF THE DIRECTORS

Key relationships with the Group's employees, suppliers and customers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. The Group encourages employees to strengthen their knowledge of the industries in which the Group operate and attend courses or training sessions to improve their professional knowledge. The Group also maintains ongoing communications with its employees, customers and suppliers through various channels such as regular meetings, calls and emails in order to allow employees to contribute to the development of the Group, deliver better customer services to our clients and obtain better services and cooperations from our suppliers.

The Group's compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

AUDITOR

McMillan Woods (Hong Kong) CPA Limited was appointed as the Company's auditor on 23 March 2022 to fill the casual vacancy until the conclusion of the forthcoming annual general meeting of the Company. A resolution of their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Liu Yan

Executive Director

Hong Kong, 31 March 2026

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF HONG WEI (ASIA) HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Wei (Asia) Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 44 to 135, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information 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 as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibility 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**”), as applicable to auditors of financial statements of public interest entities. We have also 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately HK\$138,422,000 for the year ended 31 December 2025, and, as at 31 December 2025, the Group had total current assets of approximately HK\$280,251,000, including bank balance and cash of approximately HK\$831,000. In contrast, the Group faced total current liabilities of approximately HK\$176,536,000, including current portion of bank and other borrowings and notes payable with an aggregate carrying amount of approximately HK\$66,027,000 due within twelve months from the end of the reporting period. In light of the relative low cash balances and significant short-term obligations within next twelve months together with uncertainties surrounding the Group’s ability to generate sufficient operating cash flows, these events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material Uncertainty Related to Going Concern, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

The key audit matters we identified are:

- Valuations of biological assets
- Impairment assessment for the trade receivables
- Impairment assessment on non-financial assets

1. Valuations of biological assets

Nature of the key audit matter

Refer to notes 3.2(e), 4(b)(i) and 16(c) to the consolidated financial statements.

The Group's biological assets are measured at fair values less costs to sell at the end of each reporting period. For the year ended 31 December 2025, a net loss of approximately HK\$5,000 arising from changes in fair values less costs to sell was recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group engaged independent valuers to perform the valuation of biological assets as at 31 December 2025. The independent valuers adopted the market comparison approach for both the fair value measurement of biological assets.

The audit was focused in this area as significant judgements and assumptions required and consideration of methodology adopted in the valuations.

How our audit addressed the key audit matter

Our procedures performed in relation to valuations of biological assets included:

We assessed the capabilities, objectivity and competence of the independent valuers and the valuation reports prepared by the independent valuers.

We engaged a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, key assumptions, parameters and the accuracy of the calculations in the valuation model.

We directly communicated with and challenged the independent valuers on the methodology and assumptions used in the valuations.

We assessed the reasonableness of assumptions used in the valuations and recalculated the fair values for arithmetical accuracy.

We assessed the appropriateness of the disclosure in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

2. Impairment assessment for the trade receivables

Nature of the key audit matter

How our audit addressed the key audit matter

Refer to notes 3.2(k), 4(b)(iv) and 19 to the consolidated financial statements.

Our procedures performed in relation to impairment assessment for the trade receivables included:

The carrying amount of the Group's trade receivables were approximately HK\$32,014,000 (net of allowance of impairment of approximately HK\$58,940,000) as at 31 December 2025.

We obtained an understanding of how management performed impairment assessment of the trade receivables under ECL model and evaluated the design, implementation and operating effectiveness of key internal controls over credit control.

The impairment assessment of trade receivables is determined by the management through the application of judgement and estimation. The Group's policy is to recognise impairment losses for expected credit losses ("ECL") on trade receivables by using a provision matrix to calculate the ECL. The provision rates are based on debtor's aging grouped by debtors with similar credit risk characteristic. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

We assessed the appropriateness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current and forecast general economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios with reference to our knowledge of the businesses obtained elsewhere during our audit and their probability weightings and assessing whether there was an indication of management bias when recognising allowance for trade receivables.

We identified the impairment assessment for trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimation in evaluating the ECL of the Group's trade receivables at the end of the reporting period.

We recalculated the amount of the impairment on trade receivables and assessing the appropriateness and adequacy of the impairment as at 31 December 2025.

We inspected the subsequent settlements of the trade receivables as at 31 December 2025.

We assessed the appropriateness of the disclosure in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

3. Impairment assessment on non-financial assets

Nature of the key audit matter

Refer to notes 3.2(d), 3.2(g), 3.2(h), 3.2(u), 4(b)(ii), 14, 15(d) and 17 to the consolidated financial statements.

During the year ended 31 December 2025, the Group recognised impairment losses on property, plant and equipment, right-of-use assets and intangible assets of approximately HK\$28,362,000, nil and HK\$75,000 respectively.

The management of the Group has performed an impairment review in accordance with Hong Kong Accounting Standard 36 ("**HKAS 36**") Impairment of Assets in relation to the Group's non-financial assets.

As at 31 December 2025, the recoverable amount of the cash-generating unit of the Particleboards Business (the "**Particleboards CGU**") was determined by management of the Group and based on the higher of its fair value less costs of disposal of individual asset or value-in-use calculations using cash flow projections. Independent external valuations were obtained in order to support management's estimates.

We identified the impairment assessment on non-financial assets as a key audit matter due to significance of non-financial assets to the Group's consolidated statement of financial position and the required exercise of significant judgements and high level of estimation uncertainty by management of the Group concerning the cash flow projections and other key inputs on the estimation of the recoverable amount of the Particleboards CGU to which non-financial assets have been allocated.

How our audit addressed the key audit matter

Our key audit procedures in relation to impairment assessment on non-financial assets included:

- We understood the key internal controls over preparation of the cash flow projections on which the estimation of the recoverable amount of the Particleboards CGU is based;
- We assessed and challenged the Group's identification of the Particleboards CGU and the allocation of non-financial assets to the Particleboards CGU with reference to the requirements of HKAS 36;
- We assessed the external valuers' qualifications, experience and expertise and considering their objectivity;
- We obtained and inspected the valuation report and model prepared by the external valuers engaged by the Group on which the impairment assessment of non-financial assets were based;
- With the assistance of auditor's expert, we evaluated the methodology used in the determination of the recoverable amount of the Particleboards CGU, challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow projections prepared by management of the Group by comparing key inputs, with historical performance, management's budgets and forecasts and other external available information, and evaluating the discount rate applied in the discounted cash flow projections by assessing if the parameters adopted in calculating the discount rate was within the range of relevant industry; and
- We evaluated the adequacy of disclosures in respect of the impairment of non-financial assets in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Lo Ka Ki

Audit Engagement Director

Practising Certificate Number: P06633

24/F., Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

Hong Kong, 31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	5	101,686	314,378
Cost of sales		(98,671)	(280,444)
Gross profit		3,015	33,934
Other income and other gains or losses	7	11,923	23,159
Impairment loss on property, plant and equipment	14	(28,362)	–
Impairment loss on right-of-use assets	15	–	(2,077)
Impairment loss on intangible assets	17	(75)	–
Impairment loss on trade receivables	34(b)	(27,541)	(18,660)
(Impairment loss)/reversal of impairment loss on deposits and other receivables	20	(515)	261
Net loss arising from changes in fair values less costs to sell of biological assets	16	(5)	(223)
Selling and distribution expenses		(19,609)	(21,547)
Administration expenses		(46,525)	(43,673)
Finance costs	8	(17,315)	(23,957)
Loss before tax		(125,009)	(52,783)
Income tax (expense)/credit	10	(13,413)	6,506
Loss for the year attributable to owners of the Company	11	(138,422)	(46,277)
Other comprehensive income/(expense) which may reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		9,982	(12,418)
Other comprehensive income/(expense) for the year, net of tax		9,982	(12,418)
Loss and total comprehensive loss for the year		(128,440)	(58,695)
Loss and total comprehensive loss attributable to owners of the Company		(128,440)	(58,695)
Basic and diluted loss per share, in HK cents	12	(240.78)	(87.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	251,811	310,695
Right-of-use assets	15	17,468	17,295
Biological assets	16	25,411	25,303
Intangible assets	17	565	629
Deferred tax assets	10	–	9,195
		295,255	363,117
CURRENT ASSETS			
Inventories	18	154,960	199,854
Trade and bills receivables	19	35,951	64,891
Deposits, prepayments and other receivables	20	77,438	97,658
Bank balances and cash	21	831	8,428
Restricted deposit	21	11,071	10,601
		280,251	381,432
CURRENT LIABILITIES			
Trade payables	22	38,950	32,059
Other payables and accrued expenses	23	58,076	82,638
Tax payable		110	129
Contract liabilities	24	3,931	7,438
Bank and other borrowings, due within one year	25	1,102	197,417
Deferred income	26	9,442	8,976
Notes payable	27	64,925	–
		176,536	328,657
NET CURRENT ASSETS		103,715	52,775
TOTAL ASSETS LESS CURRENT LIABILITIES		398,970	415,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	6,900	2,788
Bank and other borrowings, due after one year	25	308,209	135,645
Deferred income	26	18,103	26,109
Notes payable	27	–	58,642
		333,212	223,184
NET ASSETS			
		65,758	192,708
CAPITAL AND RESERVES			
Share capital	28	272,376	270,886
Reserves		(206,618)	(78,178)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY			
		65,758	192,708

The consolidated financial statements on pages 44 to 135 were approved and authorised for issue by the Board of Directors on 31 March 2025 and are signed on its behalf by:

Wong Kin Ching
Director

Liu Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital HK\$'000	Capital reserve HK\$'000 (note (i))	Statutory reserve HK\$'000 (note (ii))	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2024	270,886	(16,968)	38,718	(38,131)	(3,102)	251,403
Loss for the year	–	–	–	–	(46,277)	(46,277)
Other comprehensive expenses for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	(12,418)	–	(12,418)
Loss and total comprehensive loss for the year	–	–	–	(12,418)	(46,277)	(58,695)
Balance at 31 December 2024 and 1 January 2025	270,886	(16,968)	38,718	(50,549)	(49,379)	192,708
Loss for the year	–	–	–	–	(138,422)	(138,422)
Other comprehensive expenses for the year:						
Exchange differences arising on translation to presentation currency	–	–	–	9,982	–	9,982
Loss and total comprehensive loss for the year	–	–	–	9,982	(138,422)	(128,440)
Issue of new shares (note 28)	1,490	100	–	–	–	1,590
Transaction cost attributable to issue of new shares (note 28)	–	(100)	–	–	–	(100)
Balance at 31 December 2025	272,376	(16,968)	38,718	(40,567)	(187,801)	65,758

Notes:

- (i) Capital reserve represents the excess of consideration paid by the Company for acquiring the entire shares capital of Hongwei Wooden Products (Renhua) Company Limited (“**Hongwei Renhua**”) over its capital at the time of the group reorganisation in the year 2012.
- (ii) In accordance with relevant laws and regulations in the People’s Republic of China (the “**PRC**”), the PRC subsidiary is required to transfer at least 10% of its profit after tax reported in its statutory financial statements prepared under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory reserve.

The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the PRC subsidiary’s registered capital.

The statutory reserve can be used to make up losses or for conversion into capital. The PRC subsidiary may, upon the approval by a resolution of the owner, convert its statutory reserve into capital in proportion to its then existing capital contribution. However, when converting the PRC subsidiary’s statutory reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of its registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Loss before tax		(125,009)	(52,783)
Adjustments for:			
Interest income	7	–	(34)
Net loss arising from changes in fair values less costs to sell of biological assets	16	5	223
Loss on disposal of property, plant and equipment	7	118	–
Gain on disposal of right-of-use assets – forestlands	7	(189)	–
Gain on disposal of biological assets	7	(5,394)	–
Finance costs	8	17,315	23,957
Depreciation and amortisation	11	43,599	44,889
Impairment loss on right-of-use assets – forestlands	15	–	2,077
Impairment loss on trade receivables	34(b)	27,541	18,660
Impairment loss on property, plant and equipment	14	28,362	–
Impairment loss on intangible assets	17	75	–
Impairment loss/(reversal of impairment loss) on deposits and other receivables	20	515	(261)
Allowance for inventories	18	10,777	–
Release of government grants	26	(9,305)	(8,932)
		(11,590)	27,796
Movements in working capital:			
Decrease/(increase) in trade and bills receivables		3,860	(24,500)
Decrease/(increase) in deposits, prepayments and other receivables		24,125	(454)
Decrease/(increase) in inventories		41,837	(13,567)
Increase in biological assets		(473)	(192)
Increase in trade payables		5,396	13,899
Decrease in other payables, accrued expenses and contract liabilities		(35,178)	(2,559)
		27,977	423
Net cash generated from operating activities			
Cash flows from investing activities			
Purchase for property, plant and equipment		(1,572)	(17,443)
Proceed for disposal of right-of-use assets		242	–
Proceed for disposal of biological assets		6,903	–
Interest received		–	34
Government grants received	26	329	9,351
		5,902	(8,058)
Net cash from/(used in) investing activities			

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from financing activities			
Advancement of other borrowings from related parties	35(a)	–	2,517
Repayment of other borrowings from related parties	35(a)	–	(150)
Proceeds from bank and other borrowings from third parties		114,903	173,665
Repayment of bank and other borrowings from third parties		(128,688)	(165,596)
Proceeds from issuance of shares	28	1,590	–
Transaction cost attributable to issue of new shares	28	(100)	–
Net changes in bank borrowings obtained in relation to discounted bills receivable		(22,852)	12,116
Advance from a director		1,399	–
Interest paid		(7,908)	(15,365)
Withdrawal of restricted and pledged bank deposits		–	22
Net cash (used in)/from financing activities	30	(41,656)	7,209
Net decrease in cash and cash equivalents		(7,777)	(426)
Cash and cash equivalents at the beginning of the year		8,428	7,802
Effect of foreign exchange rate changes		180	1,052
Cash and cash equivalents at the end of the year	21	831	8,428

MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2025, the Group has utilised the prepayment for acquisition of property, plant and equipment of nil (2024: HK\$88,000) in relation to additions of property, plant and equipment. These additions have no cash flow impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Hong Wei (Asia) Holdings Company Limited (the “**Company**”) was incorporated with limited liability in Hong Kong on 28 May 2012. Its ultimate controlling party and chairman of the Company is Mr. Wong Cheung Lok (“**Mr. Wong**”), who owned 34.02% direct interest of the Company as at 31 December 2025. The address of the Company’s registered office and its principal place of business is Unit 603, 6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company’s principal activity is investment holding and its principal subsidiaries are principally engaged in manufacturing and selling of particleboards and forestry business in the People’s Republic of China (the “**PRC**”).

The functional currency of the Company is Renminbi (“**RMB**”), while these consolidated financial statements are presented in Hong Kong dollar (“**HKD**”). The management of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) considered presenting the consolidated financial statement in HKD is more beneficial for the users of the consolidated financial statements, as the shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policies adopted by the Group are disclosed in note 4.

Going concern consideration

The Group incurred loss attributable to owners of the Company of approximately HK\$138,422,000 for the year ended 31 December 2025, and, as at 31 December 2025, the Group had total current assets of approximately HK\$280,251,000, including bank balance and cash of approximately HK\$831,000. In contrast, the Group faced total current liabilities of approximately HK\$176,536,000, including current portion of bank and other borrowings and notes payable with an aggregate carrying amount of approximately HK\$66,027,000 due within twelve months from the end of the reporting period. In light of the relative low cash balances and significant short-term obligations within next twelve months together with uncertainties surrounding the Group’s ability to generate sufficient operating cash flows, these events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking a number of plans and measures to improve the Group’s liquidity and financial position, including:

- (i) the directors of the Company have reviewed the Group’s profit forecast and cash flows projection prepared by management, which covered a period of not less than twelve months from 31 December 2025. In the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations not less than twelve months from 31 December 2025;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION *(Continued)*

Going concern consideration *(Continued)*

- (ii) the Company has obtained a letter of financial support from Ms. Liu Yan, the executive director of the Company, who has agreed to (a) provide adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 12 months from 31 December 2025; and (b) not to demand for repayment of the amount due to director of approximately HK\$1,399,000, which is included in other payables (note 23) as at 31 December 2025;
- (iii) the Group will continuously cooperate with the related parties and they agreed in writing to provide funding support and not to demand for repayment for the balances, included in other payables (note 23), owed to them of approximately HK\$13,406,000 as at 31 December 2025, until the Group has financial ability to do so;
- (iv) during the year ended 31 December 2025, the Group is in negotiation with the subscriber of the notes payable, in related to the outstanding principal and interest amount to approximately HK\$52,400,000 and HK\$12,525,000 respectively as at 31 December 2025 (note 27), including a new repayment schedule and a haircut; and
- (v) the Group will consider fund raising activities to meet the financial obligations; and
- (vi) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on these concrete actions, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Group continues to adopt the going concern basis in preparing these financial statements.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

3.1. APPLICATION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of new and revised HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21 and HKFRS 1 – Lack of Exchangeability

The application of the amendments to HKFRS Accounting Standards in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.1. APPLICATION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (Continued)

(b) New and revised HKFRS Accounting Standards, in issue but not yet effective

The Group has not applied any new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the financial year beginning 1 January 2025. These new and revised HKFRS Accounting Standards include the following which may relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
Amendment to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to HKAS 21 – Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far is has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for HKFRS 18 – Presentation and Disclosure in Financial Statements which is detailed as follow:

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 – Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.1. APPLICATION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New and revised HKFRS Accounting Standards, in issue but not yet effective *(Continued)* *HKFRS 18 – Presentation and Disclosure in Financial Statements (Continued)*

- Management-defined performance measures (“MPMs”) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is currently assessing the impact of HKFRS 18, with respect to the structure of the Group’s statement of loss, the statements of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Group will need to reclassify certain income and expense items (e.g., interest income on certain investments and foreign exchange gains/losses) into the new categories, namely investing and financing categories.
- The Group disclosed certain MPMs (e.g., adjusted operating profits and adjusted profit before interest, tax, depreciation and amortisation) in its results announcements and the annual report. Under HKFRS 18, this will likely require additional disclosure for the MPMs within the notes to the financial statements.
- The Consolidated Statement of Cash Flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

3.2. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared on the historical cost, except for biological assets which are measured at fair values less costs to sell as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policies are set out below:

(a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of group entities are translated into the presentation currency of the Company (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

(d) Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress are carried at cost, less any recognised impairment loss. Cost includes professional fees in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Biological assets

Biological assets are standing timber trees attached to the forestlands which could be logged to produce timber woods as agricultural produce. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. Agricultural produce is measured at fair value less costs to sell at the point of harvest, which is deemed as the cost at that date when the agricultural produce becomes inventory. Fair values less costs to sell of biological assets are determined with reference to the work performed by independent professional valuers. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. Gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises.

Subsequent expenditure relating to producing and harvesting biological assets are charged to expenses when incurred and costs that increase the number of units of biological assets owned or controlled by the Group are capitalised in the carrying amount of the biological assets.

Biological assets are transferred to property, plant and equipment when their use changes from harvesting to long-term holding. The fair value at the date of transfer is considered as the deemed cost for subsequent accounting.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Leasing

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Leasing *(Continued)*

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment of non-financial assets” policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Leasing *(Continued)*

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group continues to recognise the transferred asset and recognise a financial liability equal to the transfer proceeds by applying HKFRS 9.

(h) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible assets arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(k) Financial instruments

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**") are recognised in profit or loss.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liabilities and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically,

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**"), are subsequently measured at amortised cost;
- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"); and
- (iii) all other debt instruments and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an instrument-by-instrument basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income ("**OCI**"); and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL nor equity instruments designated at FVTOCI which are subject to impairment under HKFRS 9:

- (a) trade and bills receivables;
- (b) restricted deposit;
- (c) other receivables; and
- (d) bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

ECLs are required to be measured through a loss allowance at an amount equal to:

- (a) 12-month ECLs, i.e. lifetime ECLs that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1);

or

- (b) Lifetime ECLs, i.e. lifetime ECLs that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Lifetime ECLs represents the ECLs that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECLs ("**12m ECLs**") represents the portion of lifetime ECLs that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECLs for trade receivables. The ECLs on these assets are assessed collectively for debtors with shared risk characteristics.

For all other instruments, the Group measures the loss allowance equal to 12m ECLs, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECLs on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitments is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (a) significant financial difficulty of the borrower or issuer;
- (b) a breach of contract such as a default or past due event;
- (c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for a security because of financial difficulties; or
- (f) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECLs is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Measurement and recognition of ECLs *(Continued)*

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECLs is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and bills receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECLs are no longer met, the Group measures the loss allowance at an amount equal to 12m ECLs at the current reporting date.

For ECLs on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Financial instruments *(Continued)*

Presentation of allowance for ECLs in the consolidated statements of financial position

Loss allowances for ECLs are presented in the consolidated statements of financial position as follows:

- (a) for financial assets measured at amortised cost; loss allowances for ECLs are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the assets;
- (b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including trade and other payables, bank and other borrowings and notes payable are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(l) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

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

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Revenue

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods and services) that is distinct or a service of distinct goods or services that are substantially the same.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For sale of goods, revenue is recognised when the customer obtains the control of the goods and the Group has present right to payment and the collection of the consideration is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Revenue *(Continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions and stamp duty paid/payable) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Deposit and prepayments are typically received from purchasers in advance of revenue recognition and they are presented as contract liabilities under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Retirement benefit costs

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(ii) *Retirement benefits schemes*

The Group operates the below post-employment schemes which are defined contribution pension plans:

The Group operates a mandatory provident fund scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “**Ordinance**”) for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries participated in various defined contribution retirement benefit plans operated by the relevant municipal and provincial social insurance management bodies in the mainland of the PRC under which the PRC subsidiaries and its employees are required to make monthly contributions to these plans at a stated contribution rate based on the monthly basic compensation of the employees.

The retirement benefit costs charged to profit or loss represent contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(s) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss)/profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds of a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) **Taxation** *(Continued)*

Deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3.2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(u) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In the application of the Group's accounting policies, which are described in note 3.2, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) *Going concern*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the Group's ability to obtain sufficient future funding which depends on the results of the measures and negotiation undertaken by the Group as described in note 2 to the consolidated financial statements

(ii) *Assessing future economic benefits associated with additions to existing plant and machinery*

In assessing whether future economic benefits associated with additions to existing plant and machinery could be probable to flow to the Group, the directors consider whether these additions were acquired for improvements to existing plant and machinery, or for safety or environmental reasons, or for costs of day-to-day servicing such as consumables. If the additions could be probable to bring future economic benefits to the Group, they are recognised as property, plant and equipment; otherwise, they are charged to profit or loss when they are incurred.

(iii) *Significant increase in credit risk*

ECL under general approach are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty

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

(i) *Valuations of biological assets*

The Group's biological assets are valued at fair values less costs to sell with reference to the work performed by Apex Appraisal Limited ("**Apex**"), an independent firm of professional valuer, which involves the use of assumptions and estimates. Any changes in the estimates may affect the fair values less costs to sell of these biological assets and result in fair value re-measurement changes in future accounting periods. The directors and Apex have exercised their judgement and are satisfied that the valuation is reflective of their fair values. As at 31 December 2025, the carrying amount of the Group's biological assets was approximately HK\$25,411,000 (2024: HK\$25,303,000).

Further details about the valuations of biological assets are set out in note 16 to the consolidated financial statements.

(ii) *Estimated impairment of non-financial assets*

The Group's major non-financial assets as at 31 December 2025 comprise property, plant and equipment of approximately HK\$251,811,000 (2024: HK\$310,695,000) (note 14), right-of-use assets of approximately HK\$17,468,000 (2024: HK\$17,295,000) (note 15), intangible assets of approximately HK\$565,000 (2024: HK\$629,000) (note 17) and payments in advance to suppliers of approximately HK\$53,827,000 (2024: HK\$68,505,000) (note 20).

The Group assesses whether there are any indicators of impairment for non-financial assets at the end of each reporting period. These assets are tested for impairment annually, and/or when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment loss on property, plant and equipment, right-of-use assets, intangible assets and payment in advance to suppliers of approximately HK\$28,362,000 (2024: nil), nil (2024: HK\$2,077,000), HK\$75,000 (2024: nil) and nil (2024: nil) respectively were recognised in the Group's consolidated statement of profit and loss and other comprehensive income during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Useful lives of property, plant and equipment

The estimated the useful lives of the Group's property, plant and equipment is ranging from 5 to 20 years, after taking into account of their estimated residual values, as set out in note 14 to the consolidated financial statements. Depreciation of items of property, plant and equipment is calculated on the straight-line basis over their expected useful lives. The Group continues to review the useful lives and residual values and will revise the depreciation charges should there be a change in these estimations.

Further details about the estimated useful lives and the carrying amounts of the property, plant and equipment are set out in note 14 to the consolidated financial statements.

(iv) Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at 31 December 2025, the Group determines a loss allowance for trade receivables and deposits and other receivables amounting to approximately HK\$58,940,000 (2024: HK\$29,713,000) and HK\$1,597,000 (2024: HK\$1,029,000) respectively. Details are set out in notes 19, 20 and 34(b) to the consolidated financial statements.

The carrying amount of trade receivables and deposits and other receivables are HK\$32,014,000 and HK\$22,653,000 respectively (2024: HK\$39,960,000 and HK\$27,848,000 respectively).

(v) Allowance for obsolete inventories

The management reviews the condition of inventories of the Group and makes allowance for obsolete and slow-moving inventory items. The Group carries out an inventory review on a category-by-category basis at the end of each reporting period and makes allowance for obsolete items.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period. Where the net realisable value is less than expected, a material write down may arise. As at 31 December 2025, the carrying amount of inventories amounting to approximately HK\$154,960,000 (2024: HK\$199,854,000). An allowance for inventories of HK\$10,777,000 (2024: Nil) was made during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE

Revenue represents the amounts received and receivable for sales of particleboards, which are conducted in the PRC by the Group. An analysis of revenue is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Timing of revenue recognition – at a point in time:</i>		
Sales of particleboards	101,686	314,378
Revenue from contracts with customers	101,686	314,378

Sales of particleboards are recognised at point in time when particleboards are delivered to customers.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the executive directors, being the chief operating decision makers (“**CODM**”). The Group’s operating business are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

During the years ended 31 December 2025 and 2024, the Group has two reportable operating segments. Details are as follows:

- (i) Particleboards segment, principally engaged in manufacturing and selling of particleboards in the PRC; and
- (ii) Forestry segment, principally engaged in timber logging, plantation and sales of timber woods and agricultural products in the PRC.

The accounting policies of the reportable segments are the same as the Group’s accounting policies as set out in note 3.2 above. Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents inter-segment sales which were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment results represent the profit earned or loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income and finance costs. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

For the purpose of monitoring segment performance and allocating resource between segments:

- All assets are allocated to reportable segments other than deferred tax assets and unallocated corporate assets; and
- All liabilities are allocated to reportable segments other than bank and other borrowings, notes payable, other payables and accrued expenses, deferred tax liabilities, tax payable and unallocated corporate liabilities.

Operating segments

The following tables represent segment information of the Group provided to the Group's CODM.

For the year ended 31 December 2025

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	101,686	–	101,686
<i>Segment results:</i>			
Reportable segment results	(109,514)	3,880	(105,634)
Finance costs (note 8)			(17,315)
Unallocated corporate staff costs			(571)
Unallocated corporate expenses			(1,489)
Consolidated loss before tax			(125,009)
<i>Other segment information:</i>			
Addition to segment non-current assets	1,572	–	1,572
Depreciation – allocated	43,423	168	43,591
Amortisation (note 17)	8	–	8
Cost of goods sold recognised as expenses	(98,671)	–	(98,671)
Net loss arising from changes in fair values less costs to sell of biological assets (note 16)	–	5	5
Loss on disposal of property, plant and equipment (note 14)	118	–	118
Gain on disposal of biological assets (note 16)	–	(5,394)	(5,394)
Gain on disposal of right-of-use assets – forestland (note 15)	–	(189)	(189)
Impairment loss on trade receivables (note 34(b))	27,541	–	27,541
Impairment loss on deposits and other receivables (note 20)	515	–	515
Impairment loss on property, plant and equipment (note 14)	28,362	–	28,362
Impairment loss on intangible assets (note 17)	75	–	75
Allowance for inventories (note 18)	10,777	–	10,777
Income tax expense	13,413	–	13,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the year ended 31 December 2024

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment revenue:</i>			
Reportable segment revenue	314,378	–	314,378
<i>Segment results:</i>			
Reportable segment results	(16,443)	(9,141)	(25,584)
Interest income (note 7)			34
Finance costs (note 8)			(23,957)
Unallocated corporate staff costs			(73)
Unallocated corporate expenses			(3,203)
Consolidated loss before tax			(52,783)
<i>Other segment information:</i>			
Depreciation – allocated	44,070	811	44,881
Amortisation (note 17)	8	–	8
Net loss arising from changes in fair values less costs to sell of biological assets (note 16)	–	223	223
Impairment loss on right-of-use assets – forestlands (note 15)	–	2,077	2,077
Impairment loss on trade receivables (note 34(b))	18,660	–	18,660
Reversal of impairment loss on deposits and other receivables (note 20)	(261)	–	(261)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

As at 31 December 2025

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment assets:</i>			
Reportable segment assets	542,287	33,076	575,363
Unallocated corporate assets			143
Consolidated total assets			575,506
<i>Segment liabilities:</i>			
Reportable segment liabilities	68,792	1,634	70,426
Deferred tax liabilities			6,900
Bank and other borrowings			309,311
Notes payable			64,925
Tax payable			110
Other payables and accrued expenses			39,744
Unallocated corporate liabilities			18,332
Consolidated total liabilities			509,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

As at 31 December 2024

	Particleboards segment HK\$'000	Forestry segment HK\$'000	Total HK\$'000
<i>Segment assets:</i>			
Reportable segment assets	705,081	30,152	735,233
Deferred tax assets			9,195
Unallocated corporate assets			121
Consolidated total assets			744,549
<i>Segment liabilities:</i>			
Reportable segment liabilities	136,614	3,026	139,640
Deferred tax liabilities			2,788
Bank and other borrowings			333,062
Notes payable			58,642
Tax payable			129
Other payables and accrued expenses			17,580
Consolidated total liabilities			551,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT INFORMATION *(Continued)*

Entity-wide disclosures

Geographical information

The Group's operation is located in the PRC and all of its revenue is generated from the PRC for both years. The analysis is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from the PRC	101,686	314,378

All of the Group's non-current assets were located in the PRC as at 31 March 2025 and 2024.

Information about major customers

Revenue from a customer arising from sales of particleboards for the year individually contributing over 10% of the total sales of the Group is as follows:

	2025 HK\$'000	2024 HK\$'000
Customer A	59,646	–
Customer B	13,133	Not applicable*
Customer C	–	57,603

*: The revenue from each customer is less than 10% of the Group's revenue for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. OTHER INCOME AND OTHER GAINS OR LOSSES

	2025 HK\$'000	2024 HK\$'000
Value added tax ("VAT") refund*	6,984	12,798
Government grants**	9,305	9,526
Government compensation subsidies***	921	621
Interest income	–	34
Allowance for inventories	(10,777)	–
Loss on disposal of property, plant and equipment	(118)	–
Gain on disposal of biological assets	5,394	–
Gain on disposal of right-of-use assets – forestland	189	–
Others	25	180
	11,923	23,159

* VAT refund is received for the year in relation to Hongwei Renhua's operation in the PRC. There is no unfulfilled condition attached to the receipt of VAT refund.

** Included in government grants was approximately HK\$2,585,000 (2024: HK\$2,561,000), which represented financial subsidy released from deferred income for interest expenses incurred by the Group for its borrowings (貸款貼息資金補助). There is no unfulfilled conditions related to the subsidy.

The remaining amount of government grant was approximately HK\$6,720,000 (2024: HK\$6,371,000), which mainly represented project subsidy released from deferred income for expenditure on technical improvements incurred by the Group. There is no unfulfilled conditions related to the subsidy.

*** The amount represented government compensation subsidies for natural forest assets (note 14) held by the Group. As the owner of the natural forest assets, the Group is required to comply with the government's policy to protect the natural forest assets, which is prohibited from logging without harvesting quotas and logging permits which are granted by the PRC government. The forest so being classified as natural forest assets will be renewed and reviewed by the PRC government on three to five years basis. The annual compensation for natural forest assets is determined by administrative measures of the PRC government. The Group has no unfulfilled conditions related to the government compensation subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interests on bank and other borrowings	7,908	15,365
Interests on notes payable	6,283	5,502
Interests on loans from Mr. Wong and his associate	3,124	3,090
	17,315	23,957

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Remuneration of the Company's directors disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and the GEM Listing Rules is as follows:

	For the year ended 31 December 2025			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contribution to retirement benefit schemes HK\$'000	
Executive directors:				
Mr. Wong (resigned on 28 January 2026)	393	190	–	583
Mr. Liu Jiayong (resigned on 11 August 2025)	241	130	4	375
Mr. Wong Kin Ching	262	261	9	532
Independent non-executive directors:				
Ms. Qian Xiaoyu (resigned on 9 January 2026)	150	–	–	150
Mr. Cheung Wai Yin Wilson	164	–	–	164
Mr. Guo En Sheng	257	–	–	257
	1,467	581	13	2,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

	For the year ended 31 December 2024			
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contribution to retirement benefit schemes HK\$'000	Total HK\$'000
Executive directors:				
Mr. Wong (resigned on 28 January 2026)	90	208	5	303
Mr. Liu Jiayong (resigned on 11 August 2025)	30	161	6	197
Mr. Wong Kin Ching	–	158	5	163
Mr. Alfonso Chu (resigned on 14 June 2024)	20	–	–	20
Independent non-executive directors:				
Ms. Qian Xiaoyu (resigned on 9 January 2026)	120	–	–	120
Mr. Cheung Wai Yin Wilson	150	–	–	150
Mr. Guo En Sheng	120	–	–	120
	530	527	16	1,073

Fees paid to directors were mainly for services as directors of the Company. Other emoluments paid to executive directors shown above were mainly for their services in connection with the management of the affairs of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

Among the five individuals with the five highest emoluments in the Group, five (2024: three) were directors of the Company for the year ended 31 December 2025, whose emoluments are set out above. The emoluments of the remaining two individual during the year ended 31 December 2024 were as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	–	527
Contribution to retirement benefits schemes	–	15
	–	542

Their emoluments were within the band from nil to HK\$1,000,000.

During the years ended 31 December 2025 and 2024, saved as disclosed above, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2025 and 2024, no directors waived any emoluments.

Directors' material interests in transactions, arrangements or contracts

Save for disclosed in Note 35 to these consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. INCOME TAX (EXPENSE)/CREDIT

(a) Income tax recognised in profit or loss

	2025 HK\$'000	2024 HK\$'000
Current tax	–	–
Deferred tax (expense)/credit: – origination and reversal of temporary difference	(13,413)	6,506
Income tax (expense)/credit	(13,413)	6,506

No provision of Hong Kong Profits Tax had been made for the years ended 31 December 2025 and 2024 as the Group did not have assessable profits in Hong Kong for these years.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of Hongwei Renhua is 25% in both years.

Pursuant to the EIT Law and its implementation regulations, where an enterprise utilises the resources as listed in the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences (資源綜合利用企業所得稅優惠目錄) as its major raw materials to make products which are not restricted or prohibited by the state and are consistent with the relevant state or industrial standards, only 90% of the income derived therefrom shall be accounted for as taxable income of the enterprise in that year (the “**Tax Concessions**”). During the years ended 31 December 2025 and 2024, Hongwei Renhua is entitled to such preferential policy and only 90% of the income of Hongwei Renhua from the sale of particleboards was regarded as taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. INCOME TAX (EXPENSE)/CREDIT (Continued)

(a) Income tax recognised in profit or loss (Continued)

According to the EIT Law and Implementation Regulation of the EIT Law, enterprises that engage in qualified agricultural business are eligible for exemption from payment of enterprise income tax. During the years ended 31 December 2025 and 2024, the Group's two subsidiaries are engaged in qualified agricultural business. No tax exemption claimed during the both years.

The income tax expense/(credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income/(loss) as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before tax	(125,009)	(52,783)
Tax at the applicable rates in the tax jurisdictions concerned of 25% (2024: 25%)	(31,252)	(13,195)
Effect of different tax rates	986	1,065
Tax effect of income not taxable for tax purpose	(2,888)	(2,382)
Tax effect of expenses not deductible for tax purpose	2,781	5,967
Tax effect of tax losses not recognised	16,111	13,145
Tax effect of temporary difference not recognised	30,274	–
Tax effect of utilisation of deductible temporary difference not previously recognised	–	(203)
Effect of Tax Concessions	(2,599)	(10,903)
Income tax expense/(credit)	13,413	(6,506)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. INCOME TAX (EXPENSE)/CREDIT (Continued)

(b) Deferred taxation

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

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	–	9,195
Deferred tax liabilities	(6,900)	(2,788)
	(6,900)	6,407

The following are the major deferred tax balances recognised and movements thereon during the year:

	Withholding tax on undistributed profit of PRC subsidiary HK\$'000	Depreciation of property, plant and equipment HK\$'000	Deferred government grants HK\$'000	Impairment loss on other receivables, trade receivables HK\$'000	Revaluation of biological asset HK\$'000	Total HK\$'000
At 1 January 2024	(539)	(4,131)	3,765	3,335	(2,410)	20
Credited to profit or loss	–	–	1,138	5,313	55	6,506
Effect of foreign currency exchange differences	20	150	(160)	(214)	85	(119)
At 31 December 2024 and 1 January 2025	(519)	(3,981)	4,743	8,434	(2,270)	6,407
Credited/(charged) to profit or loss	–	169	(4,989)	(8,597)	4	(13,413)
Effect of foreign currency exchange differences	(24)	(176)	246	163	(103)	106
At 31 December 2025	(543)	(3,988)	–	–	(2,369)	(6,900)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. INCOME TAX (EXPENSE)/CREDIT (Continued)

(b) Deferred taxation (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2025 HK\$'000	2024 HK\$'000
Tax losses	247,743	184,882
Deductible temporary differences	72,464	287
	320,207	185,169

Deferred tax assets have not been recognised in respect of the above deductible temporary differences as it is not considered probable that taxable profits will be available against which the deductible temporary differences can be utilised.

As at 31 December 2025, the Group has unused tax losses of approximately HK\$247,743,000 (2024: HK\$184,882,000) available for offset against future profits. No deferred tax asset had been recognised in respect of these tax losses of approximately HK\$247,743,000 (2024: HK\$184,882,000) due to unpredictability of future profit streams. As at 31 December 2025, the Group's unused tax losses of approximately HK\$21,771,000 (2024: HK\$21,771,000) may be carried forward indefinitely and the Group's unused tax losses of approximately HK\$225,972,000 (2024: HK\$163,111,000) may be expired within 5 years.

Under the EIT Law, starting from 1 January 2009, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards and distributed to foreign investors from companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied where appropriate. Other than the PRC withholding income tax provided as above, no deferred taxation has been provided for the retained profits of approximately HK\$375,534,000 (2024: HK\$340,587,000) as at 31 December 2025 which were derived from the PRC subsidiary since 1 January 2008, as the Group has set aside such sum for non-distributable purpose and is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Notes	2025 HK\$'000	2024 HK\$'000
Employee benefits expenses (including directors' emoluments)			
Salaries and other benefits		6,465	6,396
Contribution to retirement benefit schemes		780	786
Total employee benefit expenses		7,245	7,182
Depreciation of:			
– property, plant and equipment		43,058	43,664
– right-of-use assets		533	1,217
Amortisation:			
– intangible assets	(i)	8	8
Cost of goods sold recognised as expenses		98,671	280,444
Auditor's remuneration – audit services		850	850
Impairment loss on right-of-use assets – forestlands (note 15)		–	2,077
Impairment loss on property, plant and equipment (note 14)		28,362	–
Impairment loss on intangible assets (note 17)		75	–
Impairment loss on trade receivables (note 34(b))		27,541	18,660
Impairment loss/(reversal of impairment loss) on deposits and other receivables (note 20)		515	(261)
Net loss arising from change in fair values less costs to sell of biological assets		5	223
Loss on disposal of property, plant and equipment		118	–
Gain on disposal of biological assets		(5,394)	–
Gain on disposal of right-of-use assets – forestland		(189)	–
Allowance for inventories		10,777	–
Research and development expenses		–	12,612
Exchange gain, net		(10)	–

Note:

- (i) The amount was included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2025 HK\$'000	2024 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(138,422)	(46,277)

Number of shares

	2025 '000	2024 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note)	57,489	52,656

Note: No adjustment has been made to the amount of the basic loss per share for the years ended 31 December 2025 and 2024 in respect of diluted loss per share because there was no potentially dilutive ordinary share in issue during the years ended 31 December 2025 and 2024.

13. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2025 (2024: nil), nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvement HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and equipment HK\$'000	Natural forests HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
Balance at 1 January 2024	177,790	425,611	4,764	3,052	2,309	22,820	636,346
Additions	1,901	3,992	–	41	–	11,597	17,531
Transfer	–	14,071	–	–	–	(14,071)	–
Exchange realignment	(6,435)	(15,401)	(150)	(111)	(82)	(826)	(23,005)
Balance at 31 December 2024	173,256	428,273	4,614	2,982	2,227	19,520	630,872
Balance at 1 January 2025	173,256	428,273	4,614	2,982	2,227	19,520	630,872
Additions	913	–	102	–	–	557	1,572
Disposal	–	–	(971)	–	–	–	(971)
Exchange realignment	7,702	19,008	166	132	50	874	27,932
Balance at 31 December 2025	181,871	447,281	3,911	3,114	2,277	20,951	659,405
Accumulated depreciation and impairment							
Balance at 1 January 2024	(71,295)	(209,731)	(4,143)	(2,419)	(219)	–	(287,807)
Charge for the year	(9,872)	(33,421)	(223)	(42)	(106)	–	(43,664)
Exchange realignment	2,784	8,281	133	88	8	–	11,294
Balance at 31 December 2024	(78,383)	(234,871)	(4,233)	(2,373)	(317)	–	(320,177)
Balance at 1 January 2025	(78,383)	(234,871)	(4,233)	(2,373)	(317)	–	(320,177)
Charge for the year	(9,520)	(33,266)	(112)	(45)	(115)	–	(43,058)
Disposal for the year	–	–	853	–	–	–	853
Impairment for the year	(6,106)	(19,465)	(31)	(68)	(271)	(2,421)	(28,362)
Exchange realignment	(4,064)	(12,329)	(153)	(111)	(11)	(182)	(16,850)
Balance at 31 December 2025	(98,073)	(299,931)	(3,676)	(2,597)	(714)	(2,603)	(407,594)
Carrying amount							
Balance at 31 December 2025	83,798	147,350	235	517	1,563	18,348	251,811
Balance at 31 December 2024	94,873	193,402	381	609	1,910	19,520	310,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (other than construction in progress) to its residual value over its estimated useful life, after taking into account the estimated residual value, as follows:

	Useful lives	Residual rate
Buildings and leasehold improvement	20 years	5%
Plant and machinery	10-15 years	5%
Motor vehicles	5 years	5%
Furniture and equipment	5 years	5%
Natural forests	20 years	5%

As at 31 December 2025, buildings with carrying amount of approximately HK\$42,374,000 (2024: HK\$42,709,000), and plant and machinery with carrying amount of approximately HK\$22,020,000 (2024: HK\$23,427,000) have been pledged to secure bank and other borrowings granted to the Group (note 25).

Construction in progress

During the year ended 31 December 2022, the Group commenced the construction of a new composite particleboard production line (the “**Quan Zhu Production Line**”). During the year ended 31 December 2025, the Group paid and incurred approximately HK\$557,000 (2024: HK\$11,597,000) for the Quan Zhu Production Line, which was recognised as construction in progress under property, plant and equipment. During the year ended 31 December 2025, no components of the Quan Zhu Production Line have been completed nor transferred to plant and machinery category under property, plant and equipment.

Impairment assessment

During the years ended 31 December 2025 and 2024, due to the continuous loss incurred for the Particleboards Business, the management of the Group concluded there was impairment indication for the Particleboards Business and the Group’s related plant and equipment, right-of-use assets and intangible assets were allocated to the Particleboards CGU for the purpose of impairment assessment. The recoverable amount of the Particleboards CGU has been determined based on the value-in-use calculation which uses cash flows projection based on financial budgets approved by the directors of the Company and valued by Apex, covering a five-year period with pre-tax discount rate. Cash flows beyond that five-year period have been extrapolated using the estimated growth rate stated below. Key assumptions used in the calculation are as follows:

	2025	2024
Revenue growth rate	0%	2.5%
Terminal growth rate	2%	2%
Discount rate	15%	18%

The above key assumptions were used in the value-in-use calculation of the Particleboards CGU as at 31 December 2025 and 2024. The followings describe each key assumption on which the management of the Group has based its cash flow projection to undertake impairment testing:

Revenue growth rate – The revenue growth rate is based on past performance and its expectations regarding market development.

Terminal growth rate – The terminal growth rate does not exceed the long-term average growth rate for the industry and the country in which the Particleboards CGU currently operates.

Discount rate – The discount rate is pre-tax and reflects specific risk relating to the Particleboards CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment assessment *(Continued)*

Based on the assessment, the management of the Group assessed the recoverable amount of the Particleboards CGU approximately to HK\$264,218,000 (2024: HK\$351,612,000), which was lower (2024: higher) than its carrying value as at 31 December 2025.

Accordingly, an impairment loss of approximately HK\$28,362,000 (2024: nil), nil (2024: nil) and HK\$75,000 (2024: nil) were recognised in the Group's consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2025 in respect of plant and equipment, right-of-use assets and intangible assets respectively on the basis of the Particleboards CGUs' past performance, management expectations for the market development and volatility in financial markets including potential disruptions of the Particleboards Business.

There were no changes to the valuation techniques during the year ended 31 December 2025 and 2024.

Except for the impairment assessment based on the value-in use calculations, the management of the Group also assessed the impairment of certain buildings (the "**Certain Buildings**") included in property, plant and equipment. The management of the Group estimated the fair value less cost of disposal of the Certain Buildings using a direct comparison approach to estimate the fair value less cost of disposal which is based on the recent transaction prices for similar buildings adjusted for nature, location and conditions of the Certain Buildings. The fair value measurement was categorised under Level 3 of the fair value hierarchy.

Based on the above, the management of the Group assessed that the recoverable amounts of the Buildings were higher than their respective carrying values as at 31 December 2025. As a result, no impairment losses of the Certain Buildings was recognised during the year ended 31 December 2025.

15. LEASES

(a) Amounts recognised in consolidated statement of financial position

Right-of-use assets

	Factory lands HK\$'000	Forestlands HK\$'000	Total HK\$'000
Carrying amounts:			
At 1 January 2024	15,912	5,390	21,302
Depreciation	(406)	(811)	(1,217)
Impairment	–	(2,077)	(2,077)
Exchange realignment	(567)	(146)	(713)
At 31 December 2024	14,939	2,356	17,295
At 1 January 2025	14,939	2,356	17,295
Disposal	–	(53)	(53)
Depreciation	(410)	(123)	(533)
Exchange realignment	658	101	759
At 31 December 2025	15,187	2,281	17,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. LEASES (Continued)

(b) Amounts recognised in consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows

	2025 HK\$'000	2024 HK\$'000
Depreciation expense on right-of-use assets (included in administrative expenses)	533	1,217

(c) Particular of leases

(i) *Factory lands*

The Group's leasehold interest in factory land are situated in the PRC and held under medium term leases. Lump sum payments were made upfront to acquire these leasehold interests, and there are no ongoing payments to be made under the terms of the land lease.

As at 31 December 2025, the right-of-use assets relating to factory land lease with carrying amount of approximately HK\$15,187,000 (2024: HK\$14,939,000) have been pledged to secure certain of the Group's bank and other borrowings. Details are set out in note 25.

(ii) *Forestlands*

The Group has leasehold interests in forestlands situated in Renhua County of Guangdong Province in the PRC and Qingliu County of Fujian Province in the PRC. Lump sum payments were made upfront to acquire these leasehold interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the forestlands leases.

As at 31 December 2025, the forestlands have leasehold land base of approximately 37,387 (2024: 40,269) Chinese Mu ("mu") and have remaining lease terms ranging from 1 to 31 (2024: 1 to 32) years. Usage of the forestlands is regulated by the implementation regulations of the PRC Forest Law promulgated by the State Council of the PRC. The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities.

Due to the enactment of the real estate title registration policy, all real estate titles are required to be registered with the Real Estate Registry (不動產登記機構) for issuance and renewal of registered title certificate. The Group successfully completed the registration and renewal process for its forestry rights over the forestlands in Qingliu County and Renhua County.

(d) Impairment loss on right-of-use assets

Factory lands

At the end of reporting period, due to continuous loss of the Group during the year ended 31 December 2025, the management of the Group assessed the impairment of right-of-use assets – factory lands (the "Factory Lands").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. LEASES (Continued)

(d) Impairment loss on right-of-use assets (Continued)

Factory lands (Continued)

The management of the Group estimated the fair value less cost of disposal of the Factory Lands using a direct comparison approach to estimate the fair value less cost of disposal which is based on the recent transaction prices for similar Factory Lands adjusted for nature, location and conditions of the relevant land. The fair value measurement was categorised under Level 3 of the fair value hierarchy

Based on the above, the management of the Group assessed that the recoverable amounts of the Factory Lands were higher than their respective carrying values as at 31 December 2025. As a result, no impairment losses of the Factory Lands was recognised during the years ended 31 December 2025.

Except for the impairment assessment based on the fair value less cost of disposal as mentioned above, as at 31 December 2025, the management of the Group also allocated the Factory Lands to the Particleboards CGU for impairment assessment. Details of the impairment assessment of the Particleboards CGU are set out in note 14 to the consolidated financial statements.

Forestland

As at 31 December 2025, an indicator of impairment was identified for right-of-use assets – forestlands because a decline in market prices/quotations for comparables similar to the land and its area. The Group has engaged Apex, the independent valuer, to determine the recoverable amount of the right-of-use assets – forestlands (the “**Recoverable Amounts**”), being the fair values less costs to sell. During the year ended 31 December 2025, no impairment loss (2024: impairment loss of approximately HK\$2,077,000) was recognised in profit or loss in respect of the Group’s right-of-use assets – forestlands. The independent valuers adopted market comparison approach to determine the Recoverable Amounts, which categorised under Level 3 fair value measurement. The key assumptions are the market prices/quotations of the comparables similar to the land and the land area.

There were no change in valuation techniques during the years ended 31 December 2025 and 2024.

16. BIOLOGICAL ASSETS

(a) Nature of activities

Biological assets are standing timber trees attached to the forestlands which could be logged to produce timber woods as agricultural produce.

Subsequent expenditure relating to producing and harvesting biological assets are charged to expenses when incurred and costs that increase the number of units of biological assets owned or controlled by the Group are capitalised in the carrying amount of the biological assets.

Details of registration of forestry rights are set out in note 15(c)(ii) above.

In addition to the financial risk management as disclosed in note 34, the Group is exposed to the following operational risks relating the biological assets:

(i) **Regulatory and environmental risks**

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environment and other laws. Management will perform regular review to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BIOLOGICAL ASSETS (Continued)

(a) Nature of activities (Continued)

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of log. The Group's forestlands are maintained for the purpose of providing stable source of raw materials to the Group to produce particleboards for sale. Where possible the Group will align harvest volume to its production schedule so as to ensure continuous production of particleboards.

(iii) Climate and other natural risks

The Group's biological assets are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The Group has adopted different measures aimed at monitoring and mitigating those risks, including regular forest inspections by setting up forest patrol team.

(b) Value of biological assets

The amount of standing timber trees at the end of the reporting period are set out below:

	Man-made forest HK\$'000 (Note)
At 1 January 2024	26,286
Additions	192
Net loss arising from changes in fair values less costs to sell of biological assets	(223)
Exchange realignment	(952)
At 31 December 2024	25,303
At 1 January 2025	25,303
Additions	473
Disposal	(1,509)
Net loss arising from changes in fair values less costs to sell of biological assets	(5)
Exchange realignment	1,149
At 31 December 2025	25,411

Note: The man-made forest had a total forestlands comprise standing trees with approximately 388 mu which was equivalent to approximately 5,823 hectares (2024: 415 mu which was equivalent to approximately 6,222 hectares). All of the forestry rights certificates for the man-made forest were obtained and valid for 5-30 years. The Group engaged the Forestry Consultants to perform physical counting on standing trees annually for assessing the species mix and forest volume of the man-made forest. As at 31 December 2025, the man-made forest is estimated to include approximately 17,548 cubic meters of fir trees (2024: 17,154 cubic meters), approximately 22,892 cubic meters of masson pine trees (2024: 24,056 cubic meters) and approximately 5,730 cubic meters of broadleaf trees (2024: 5,582 cubic meters). There are no fir trees aged 26 years or older, no masson pine trees aged 36 years or older, and no broadleaf trees aged 40 years or older.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BIOLOGICAL ASSETS *(Continued)*

(b) Value of biological assets *(Continued)*

The Group's biological assets are measured at fair values less costs to sell at initial recognition and at the end of each reporting period in accordance with HKAS 41 "Agriculture". The fair values less costs to sell of biological assets were determined with reference to the work performed by the independent valuers. The independent valuers have various professional qualifications and extensive experience in the valuation of agricultural and biological assets and its related businesses for the listed companies in Hong Kong. Accordingly, the directors are of the view that the independent valuers are competent to determine the fair values less costs to sell of the Group's biological assets. The Group's management has discussion with the independent valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

Because the fair values less costs to sell of the Group's biological assets, are derived from many assumptions and are affected by factors including different usage of the timbers harvested, presence of natural defects in the wood, growth and death rates of trees, calamities, market prices at the time of harvest, buyers' preference and government policy regarding harvesting and government compensation subsidies, any changes in assumptions and factors may affect the fair values less costs to sell of the Group's biological assets dramatically.

No gain on initial recognition has been recognised in profit or loss for both years.

(c) Fair value measurements

Particulars of valuation of biological assets as at 31 December 2025 and 2024

For the valuation of the standing trees of man-made forest, based on the market research, the independent valuer adopted the market comparison approach with reference to market determined prices, cultivation areas and species, which has taken into consideration (i) the market determined prices of the similar timbers available in the market and (ii) the costs to sell such timbers as of the date of valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BIOLOGICAL ASSETS (Continued)

(c) Fair value measurements (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets at as 31 December 2025 and 2024.

	Fair value measurement categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Group Recurring fair value measurement: As at 31 December 2025 – biological assets	25,411	–	–	25,411
As at 31 December 2024 – biological assets	25,303	–	–	25,303

The fair value less costs to sell of the Group's biological assets at 31 December 2025 and 2024 have been determined based on Level 3 fair value measurement. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. In determining the fair value less costs to sell of the Group's biological assets, the highest and best use of the biological assets is their current use.

Information about Level 3 fair value measurements

The following table set out the details of significant unobservable inputs used to determine the fair values less costs to sell of the Group's biological assets:

As at 31 December 2025

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Man-made forest: Market price adopted for different species of standing timber trees ranges from RMB625 per cubic meters (" cu.m. ") to RMB1,090 per cu.m.	An increase/(decrease) in market price of different species of standing timber trees would result in an increase/(decrease) in the fair value measurement of the biological assets, and vice versa.
Costs to sell ranges from RMB278 per cu.m. to RMB378 per cu.m.	An increase/(decrease) in average total costs would result in a (decrease)/increase in the fair value measurement of the biological assets, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BIOLOGICAL ASSETS (Continued)

(c) Fair value measurements (Continued)

Fair value hierarchy (Continued)

Information about Level 3 fair value measurements (Continued)

As at 31 December 2024

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
<p>Man-made forest:</p> <p>Market price adopted for different species of standing timber trees ranges from RMB625 per cu.m. to RMB1,111 per cu.m.</p>	<p>An increase/(decrease) in market price of different species of standing timber trees would result in an increase/(decrease) in the fair value measurement of the biological assets, and vice versa.</p>
<p>Cost to sell ranges from RMB257 per cu.m to RMB466 per cu.m.</p>	<p>An increase/(decrease) in average total costs would result in a (decrease)/increase in the fair value measurement of the biological assets, and vice versa.</p>

(d) Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the significant unobservable inputs and key assumptions used, with all other variables held constant, of the Group's loss for the year ended 31 December 2025 and 2024:

Significant unobservable Inputs and key assumptions	Increase/ (decrease) by	2025 Increase/ (decrease) in profit for the year HK\$'000	2024 Increase/ (decrease) in profit for the year HK\$'000
Market price adopted for different species of standing timber trees	5% (5%)	1,791 (1,791)	1,800 (1,800)
Average total costs to sell	5% (5%)	(521) 521	(508) 508

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For the year ended 31 December 2025

17. INTANGIBLE ASSETS

	Development costs HK\$'000	Licenses HK\$'000	Total HK\$'000
Cost			
At 1 January 2024	3,107	942	4,049
Effect of foreign currency exchange differences	(112)	(34)	(146)
At 31 December 2024	2,995	908	3,903
At 1 January 2025	2,995	908	3,903
Effect of foreign currency exchange differences	153	47	200
At 31 December 2025	3,148	955	4,103
Amortisation			
At 1 January 2024	(3,107)	(282)	(3,389)
Charge for the year	–	(8)	(8)
Effect of foreign currency exchange differences	112	11	123
At 31 December 2024	(2,995)	(279)	(3,274)
At 1 January 2025	(2,995)	(279)	(3,274)
Charge for the year	–	(8)	(8)
Impairment for the year	–	(75)	(75)
Effect of foreign currency exchange differences	(153)	(28)	(181)
At 31 December 2025	(3,148)	(390)	(3,538)
Carrying amount			
At 31 December 2025	–	565	565
At 31 December 2024	–	629	629

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

	Useful lives
Development costs	10 years
Licenses	10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. INTANGIBLE ASSETS (Continued)

Impairment assessment on intangible assets

At the end of reporting period, due to operating loss of the Group during the year ended 31 December 2025, the management of the Group allocated the intangible assets to the Particleboards CGU for impairment assessment.

Details of the impairment assessment of the Particleboards CGU are set out in note 14 to the consolidated financial statements.

18. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	129,366	157,718
Work in progress	3,174	456
Finished goods	22,420	41,680
Total	154,960	199,854

The Group's inventories were stated at net realisable value (2024: cost).

As at 31 December 2025, all finished goods with carrying amount of approximately HK\$22,420,000 (2024: HK\$41,680,000) were pledged to a bank to secure certain of the Group's bank and other borrowings (note 25).

During the year ended 31 December 2025, allowance of inventories of approximately HK\$10,777,000 (2024: nil) have been charged to the consolidated statement of profit or loss. The allowance for inventories was caused by decline in net realisable value in market condition and consumer preferences.

19. TRADE AND BILLS RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	90,954	69,673
Less: loss allowances (note 34(b))	(58,940)	(29,713)
	32,014	39,960
Bills receivables at fair value	3,937	24,931
	35,951	64,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. TRADE AND BILLS RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The credit period is generally for a period up to 90 days (2024: 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing and their carrying amounts approximate to their fair values.

The following is an aged analysis of trade receivables, presented based on invoice date, at the end of the reporting period.

	2025 HK\$'000	2024 HK\$'000
Within three months	29,683	29,393
Over three months but within six months	4,249	5,920
Over six months	57,022	34,360
Total	90,954	69,673

The maturity period of bills receivable are within 12 months from the date the Group received the notes as an extended period to the original credit term. The following is an aged analysis of bills receivables presented based on the maturity date.

	2025 HK\$'000	2024 HK\$'000
Within three months	3,937	13,642
Over three months but within twelve months	–	11,289
Total	3,937	24,931

As at 31 December 2025, the Group's bills receivables with an aggregate carrying amount of approximately HK\$548,000 (2024: HK\$22,698,000) have been pledged to secure bank and other borrowings (note 25).

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. Information about the expected credit loss of trade receivables and the Group's exposure to credit risk can be found in note 34 to the consolidated financial statements.

The directors of the Company estimate that the carrying amounts of the Group's bills receivable approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. TRADE AND BILLS RECEIVABLES (Continued)

Transferred financial assets that are not derecognised in their entirety

At 31 December 2025, the Group endorsed and discounted certain bills receivable (together, the “Bills”), with a carrying amount of approximately HK\$3,937,000 in total (2024: HK\$24,695,000). In the opinion of the Directors, the Group has retained substantial risks and rewards, which include default risks relating to above Bills, and accordingly, it continued to recognise the full carrying amounts of the Bills and the associated trade payables settled (for discounted bills, an equal amount of bank borrowings was recognised). Subsequent to the endorsement, the Group did not retain any rights on the use of the Bills, including the sale, transfer or pledge of the Bills to any other third parties. The aggregate carrying amount of the trade payables settled and loans recognised during the period to which the suppliers and financial institutions have recourse was approximately HK\$3,937,000 (2024: HK\$24,695,000) as at 31 December 2025.

During the reporting period, the Group has recognised HK\$235,000 (2024: HK\$791,000) in finance costs on the date of transfer of the discounted bills. No gains or losses were recognised from the continuing involvement, which refers to the Group’s retention of certain risks, obligations, or rights associated with the transferred financial assets, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
VAT recoverable	16,740	21,076
Payments in advance to suppliers	53,827	68,505
Prepayments in advance to staff	958	1,305
Others	7,510	7,801
	79,035	98,687
Less: loss allowance	(1,597)	(1,029)
	77,438	97,658

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For the year ended 31 December 2025

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movement in loss allowance in respect of deposits and other receivables during the year is as follows:

	12-month ECL HK\$'000	Lifetime ECL (not credit impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2024	183	729	422	1,334
Reversal of impairment loss	70	(331)	–	(261)
Exchange realignment	(8)	(21)	(15)	(44)
At 31 December 2024 and 1 January 2025	245	377	407	1,029
Impairment loss	909	(394)	–	515
Exchange realignment	14	17	22	53
At 31 December 2025	1,168	–	429	1,597

21. BANK BALANCES, CASH AND RESTRICTED DEPOSIT

	2025 HK\$'000	2024 HK\$'000
Cash and cash equivalents		
– Cash at banks in the PRC*	770	8,367
– Cash at banks in Hong Kong and cash in hand	61	61
	831	8,428
Restricted deposit		
– Restricted deposit in the PRC**	11,071	10,601
	11,902	19,029

* The remittance of the Group's cash at banks in the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

** Restricted deposit in the PRC of approximately HK\$11,071,000 (2024: HK\$10,601,000) was resulted from Hongwei Renhua receiving fund on behalf of a shareholder from an independent third party who was investigated by government authority for suspected illegal fund-raising. Although Hongwei Renhua was not named as a subject of investigation, the deposit was restricted in the bank by government authority. After seeking the legal opinion, the Group considered that the investigation only resulted in a restriction of deposit. The lawyer is of the opinion that Hongwei Renhua bears no criminal or civil liability. No restricted deposit (2024: Nil) was held at bank in the PRC which is utilised to secure the bank borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. TRADE PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	38,950	32,059

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

	2025 HK\$'000	2024 HK\$'000
Within 3 months	12,781	21,627
Over 3 months but within 6 months	4,056	2,742
Over 6 months	22,113	7,690
	38,950	32,059

Trade payables are non-interest bearing and are normally settled on 30-90 days' term.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	2025 HK\$'000	2024 HK\$'000
Payables for acquisition of property, plant and equipment	–	1,348
Payroll payables	11,317	11,016
Delivery charges payables	19,740	20,836
Accrued operating expenses	8,696	37,168
Interest payable to related parties (note 35(d))	13,406	10,282
Amount due to a director (note 35(d))	1,399	–
Other taxes payables	3,030	1,981
Others	488	7
	58,076	82,638

As at 31 December 2025, balances due to related parties comprise interest payable of approximately HK\$13,406,000 (2024: HK\$10,282,000), payroll payables of approximately HK\$2,166,000 (2024: HK\$1,153,000) and amount due to a director of approximately HK\$1,399,000 (2024: nil). Further details are set out in note 35(d) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Amounts received in advance of goods delivery	3,931	7,438

Contract liabilities represent amounts received from customers in advance before delivery of goods, where the timing to satisfy performance obligation, has not yet occurred at the end of reporting period. The amount of revenue recognised for the year ended 31 December 2025 related to contract liabilities balance at the beginning of the year was approximately HK\$7,438,000 (2024: HK\$4,288,000).

25. BANK AND OTHER BORROWINGS

	Notes	2025 HK\$'000	2024 HK\$'000
Bank borrowings	(i)		
– due within one year		554	146,403
– due after one year		224,500	71,038
Bank borrowings obtained in relation to discounted bills receivables	(i)	548	22,698
		225,602	240,139
Other borrowings	(ii)	37,567	48,266
Unsecured loans from Mr. Wong and his associate	(iii)		
– due within one year		–	–
– due after one year		46,142	44,657
		309,311	333,062
Less: amounts included in current liabilities		(1,102)	(197,417)
Non-current portion		308,209	135,645
Analysed as:			
Secured and guaranteed	(iv), (v)	72,655	6,467
Secured but non-guaranteed	(iv)	187,563	278,987
Unsecured and non-guaranteed		49,093	47,608
		309,311	333,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (i) Other than bank borrowings with an aggregate carrying amount of approximately HK\$145,544,000 (2024: HK\$158,691,000) which bear fixed interest rate ranging from 2.50% to 5.80% (2024: 2.50% to 5.35%) per annum as at 31 December 2025, the remaining bank borrowings with an aggregate carrying amount of approximately HK\$80,058,000 (2024: HK\$81,448,000) bear floating interest rates ranging from 2.90% to 4.90% (2024: 3.25% to 5.35%) per annum as at 31 December 2025. All bank borrowings were denominated in RMB in both years.

The maturity analysis of bank borrowings is as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	1,102	169,101
More than one year, but not exceeding two years	171,326	45,354
More than two years, but not exceeding five years	53,174	25,684
	225,602	240,139

- (ii) As at 31 December 2025, the Group's other borrowings represents sales and leaseback arrangements with financial institutions, pursuant to which the Group transfers certain of its equipments to the financial institutions for loans to the Group with tenure of one to three years (2024: one to three years) from the date of drawn down. At the end of the terms, the Group could pay a minimal amount of consideration to re-acquire the leased equipments. Other borrowings of approximately HK\$37,567,000 (2024: HK\$48,266,000) carried fixed interest with effective interest rates ranging from 6.30% to 9.27% (2024: 6.30% to 9.27%) per annum as at 31 December 2025. Other borrowings are denominated in RMB in both years.

The maturity analysis of other borrowings is as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	–	28,316
More than one year, but not exceeding two years	37,567	16,129
More than two years, but not exceeding five years	–	3,821
	37,567	48,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. BANK AND OTHER BORROWINGS

Notes: *(Continued)*

- (iii) As at 31 December 2025, the balance represented the unsecured loans from Mr. Wong, Mrs. Wong and Ms. Wong Wan Yu, a daughter of Mr. and Mrs. Wong, which amounted to approximately HK\$9,061,000 (2024: HK\$10,000,000), HK\$16,670,000 (2024: HK\$15,580,000) and HK\$20,411,000 (2024: HK\$19,077,000) respectively. All loans carry interest of 7% per annum, unsecured and will be repayable in 2027. Unsecured loans are denominated in HK\$ in both year.

Details are set out in note 35(d) to the consolidated financial statements.

- (iv) As at 31 December 2025, the Group's secured bank and other borrowings are secured by the following assets of the Group:
- (a) the pledge of the Group's property, plant and equipment with an aggregate carrying amount of approximately HK\$64,394,000 (2024: HK\$66,136,000) (note 14);
 - (b) the pledge of the Group's right-of-use assets with an aggregate carrying amount of approximately HK\$15,187,000 (2024: HK\$14,939,000) (note 15);
 - (c) the pledge of the Group's inventories with an aggregate carrying amount of approximately HK\$22,420,000 (2024: HK\$41,680,000) (note 18); and
 - (d) the pledge of the Group's bills receivables with an aggregate carrying amount of approximately HK\$548,000 (2024: HK\$22,698,000) (note 19);
- (v) As at 31 December 2025, the Group's secured and guaranteed bank borrowings of approximately HK\$223,205,000 (2024: HK\$191,362,000) are secured by personal guarantees executed by Mr. Wong and Mr. Wong Kin Ching up to the maximum amount of approximately HK\$279,555,000 (2024: HK\$248,063,000). As at 31 December 2025, the Group's secured and guaranteed other borrowings of approximately HK\$42,902,000 (2024: HK\$41,079,000) are secured by personal guarantees executed by Mr. Wong and Mrs. Wong/Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. DEFERRED INCOME

	2025 HK\$'000	2024 HK\$'000
Balance at beginning of the year	35,085	35,976
Additions	329	9,351
Credited to profit or loss during the year (note 7)	(9,305)	(8,932)
Exchange differences	1,436	(1,310)
Balance at end of the year	27,545	35,085
Analysed for reporting purpose as:		
Current liabilities	9,442	8,976
Non-current liabilities	18,103	26,109
Balance at end of the year	27,545	35,085

Deferred income arises as a result of the benefit received from government related to the financial and project subsidy (note 7). The government grants are transferred to profit or loss on a straight line basis over the useful lives of the related assets which have been accounted for as property, plant and equipment.

27. NOTES PAYABLE

	2025 HK\$'000	2024 HK\$'000
Current liabilities:		
Notes payable, secured and guaranteed (note)	64,925	–
Non-current liabilities:		
Notes payable, secured and guaranteed (note)	–	58,642
	64,925	58,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. NOTES PAYABLE (Continued)

The maturity analysis of notes payable is as follow:

	2025 HK\$'000	2024 HK\$'000
Within one year	64,925	–
More than one year, but not exceeding two years	–	58,642
	64,925	58,642

Notes:

On 10 August 2018, the Company entered into a subscription agreement (the “**Notes Subscription Agreement**”) with a subscriber (the “**Notes Subscriber**”) for the issuance of secured and guaranteed notes (the “**Notes**”) in the principal amount of HK\$100,000,000 for an initial term of 2 years from the date of issuance, which could be extendable for another year as agreed by the Company and the Notes Subscriber. The Notes carry floating interest at Hong Kong Prime Rate (“**Prime Rate**”) plus 3% per annum, being 12% (2020: 8%) per annum as at 31 December 2021. The Notes are secured by the Company’s fully paid up capital in Hongwei Renhua and personal guarantees executed by the Company’s chairman and executive directors, Mr. Wong and Mrs. Wong (the “**Guarantors**”).

On 13 July 2020, the Company, the Guarantors and the Notes Subscriber entered into a deed of amendment, pursuant to which, among other things, the Notes Subscriber agreed to amend the terms and conditions of the Notes. As a result, the maturity date of the Notes was extended from 12 August 2020 to 12 August 2021. Please refer to the announcement of the Company dated 13 July 2020 for more details.

On 17 August 2021, a waiver letter had been entered into between the Company and the Notes Subscriber, pursuant to which the Notes Subscriber agreed to, among others, waive the obligation of the Company to fully repay the amount repayable under the Notes up to 6 September 2021, pending negotiation to further extend the repayment date. Please refer to the announcement of the Company dated 17 August 2021 for more details.

On 20 September 2021, a deed of amendment was executed to amend the terms and conditions of the Notes, having effect that, among others, the aggregate principal amount of the Notes shall be not more than HK\$78,000,000, and the final repayment date of the Notes was extended to 12 November 2022. Please refer to the announcement of the Company dated 20 September 2021 for more details.

On 2 December 2022, a waiver letter was entered into between the Company and the Notes Subscriber, pursuant to which the Notes Subscriber agreed to, among others, waive the obligation of the Company to fully repay the amount repayable under the Notes up to 31 December 2022, pending negotiation to further extend the repayment date. Please refer to the announcement of the Company dated 2 December 2022 for more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. NOTES PAYABLE (Continued)

Notes: (Continued)

On 30 December 2022, a deed of amendment was executed to amend the terms and conditions of the Notes, having effect that, among others, the aggregate principal amount of the Notes shall be not more than HK\$56,400,000, and the final repayment date of the Notes was extended to 12 November 2023. Please refer to the announcement of the Company dated 30 December 2022 for more details.

On 15 March 2024, a deed of amendment had been executed to amend the terms and conditions of the Notes, having effect that, among others, the aggregate principal amount of the Notes shall be not more than HK\$52,400,000, and the final repayment date of the Notes has been extended to 25 June 2026. Please refer to the announcement of the Company dated 15 March 2024 for more details.

The Notes Subscription Agreement and the instrument constituting the Notes (together with the amended and restated note instrument dated on 31 December 2018, 13 July 2020, 11 December 2020, 17 August 2021 and 20 September 2021, collectively referred to as the “Instrument”) contain covenants that, among other things, require Mr. Wong to remain as the single largest shareholder of the Company, the chairman of the Board and executive director of the Company. They also restrict the creation of any additional encumbrances over real properties owned by either of the Guarantors in Hong Kong as at the date of the Notes Subscription Agreement and the Instrument, Breaching these covenants will constitute an event of default. In addition, the bankruptcy or inability of the Guarantors to pay debts when due or any change of control (within the meaning of the Code on Takeovers and Mergers) of the Company will also constitute an event of default. In the event of a continuing event of default, the holder(s) of the Notes is(are) entitled to request immediate redemption of the Notes at a higher interest rate and an amount that would yield a 20% internal rate of return (inclusive of all interest and fee payable by the Company) to the Notes Subscriber as stipulated in the Instrument.

28. SHARE CAPITAL

Issued and fully paid shares

	Number of shares		Share capital	
	2025 '000	2024 '000	2025 HK\$'000	2024 HK\$'000
Ordinary shares, issued and fully paid				
At 1 January	52,656	52,656	270,886	270,886
Issue of new shares (note)	10,531	–	1,490	–
At 31 December	63,187	52,656	272,376	270,886

Note:

On 24 June 2025, the Company entered into the subscription agreement with Mr. Chu Hin Ming Alfonso in which Mr. Chu Hin Ming Alfonso agreed to subscribe 10,531,000 new shares of the Company at a subscription price of HK\$0.151 per subscription share. A total of 5,265,500 subscription shares were successfully issued and subscription on 11 July 2025, with a further 5,265,500 shares were issued on 24 July 2025. For further details, please refer to the announcements of the Company dated 24 June 2025, 11 July 2025 and 24 July 2025.

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28. SHARE CAPITAL (Continued)

Issued and fully paid shares (Continued)

The Group manages its capital to ensure that entity will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt including bank and other borrowings, notes payable, amount due to a director and net of cash and cash equivalents, and equity attributable to owners of the Group comprising share capital, retained profits and reserves.

The management of the Group reviews the capital structure on an annual basis. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, the payment of dividends, as well as raising and repayment of bank and other borrowings, lease liabilities and notes payable.

	2025 HK\$'000	2024 HK\$'000
Total debt	375,635	391,704
Less: cash and cash equivalents	(831)	(8,428)
Net debt	374,804	383,276
Total equity	65,758	192,708
Debt-to-capital ratio	570%	199%

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the notes payable.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2025, 65.20% (2024: 54.97%) of the shares were in public hands.

Breaches in meeting the financial covenants would make the bank and other borrowings and notes payable immediately due and repayable or bear at a higher interest rate or stop loan origination.

There have been no other breaches of the financial covenants of bank and other borrowings and notes payable for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. PLEDGE AND RESTRICTION OF ASSETS

As at 31 December 2025 and 2024, the Group's secured bank and other borrowings were secured by certain of the Group's property, plant and equipment, right-of-use assets, bills receivables, inventories, and restricted deposits. As at 31 December 2025 and 2024, the Group's secured and guaranteed bank and other borrowings are also secured by personal guarantees executed by Mr. Wong and Mrs. Wong/Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching. Details are set out in note 25 above.

As at 31 December 2025 and 2024, the notes payable were secured by personal guarantees executed by Mr. Wong and Mrs. Wong and the Company's fully paid up capital in Hongwei Renhua.

30. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest payable HK\$'000 (note 23)	Bank and other borrowings HK\$'000 (note 25)	Amount due to a director, included in other payable HK\$'000 (note 35(d))	Restricted deposit HK\$'000 (note 21)	Notes payable HK\$'000 (note 27)	Total HK\$'000
At 1 January 2024	7,192	318,570	–	(11,021)	53,140	367,881
Net cash flows from financing activities	–	7,187	–	22	–	7,209
Interest expenses (note 8)	3,090	15,365	–	–	5,502	23,957
Exchange realignment	–	(8,060)	–	398	–	(7,662)
At 31 December 2024	10,282	333,062	–	(10,601)	58,642	391,385
At 1 January 2025	10,282	333,062	–	(10,601)	58,642	391,385
Net cash flows from financing activities	–	(44,545)	1,399	–	–	(43,146)
Interest expenses (note 8)	3,124	7,908	–	–	6,283	17,315
Exchange realignment	–	12,886	–	(470)	–	12,416
At 31 December 2025	13,406	309,311	1,399	(11,071)	64,925	377,970

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31. EMPLOYEE BENEFITS

(a) Retirement benefit scheme

The Group participates in the “**MPF Scheme**” for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees’ monthly relevant income capped at HK\$30,000, to the MPF Scheme, which contribution is matched by employees.

In accordance with the rules and regulations of the PRC, the employees of the PRC subsidiary participated in various defined contribution retirement benefit plans operated by the relevant municipal and provincial social insurance management bodies in the mainland of the PRC under which the PRC subsidiary and its employees are required to make monthly contributions to these plans at a stated contribution rate based on the monthly basic compensation of the employees. The Group has no obligation for the payment of benefits beyond the annual contributions for the government administered programs.

At the end of the reporting period, there was no forfeited contribution in respect of employees leaving the retirement benefits scheme before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

The aggregate contributions paid/payable by the Group to the MPF Scheme and defined contribution retirement benefit plans in the PRC for the year ended 31 December 2025 amounted to approximately HK\$780,000 (2024: HK\$786,000), which has been recognised as expenses and included in staff costs as disclosed in note 11 to the consolidated financial statements.

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31. EMPLOYEE BENEFITS *(Continued)*

(b) Share option scheme

Prior to the listing of Company's shares to GEM of the Stock Exchange (the "**Listing**"), the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 December 2013 which became unconditional and effective upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants as incentives or awards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted and will expire on 18 December 2023. Under the Share Option Scheme, the Board of Director may, at its discretion, invite any executive, non-executive or independent non-executive directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group to subscribe for shares in the Company. The basis of eligibility of any of the class of the participants to the grant of any option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any entity which the Group holds any equity interest.

Unless the Company obtains a fresh approval from the shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of shares of the Company in issue immediately following completion of placing shares at the time of the Listing, which is 3,555,576 shares, representing 5.6% (2024: 6.8%) of the Company's issued shares at 31 December 2025 and as at the date of this report. The total number of shares which may be issued upon exercise all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK\$1.00 per each grant of option(s). Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board at its discretion determines the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

During the years ended 31 December 2025 and 2024, no option has been granted, lapsed and cancelled under the Share Option Scheme.

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32. TRANSFER OF FINANCIAL ASSETS

	Bills receivable discounted to banks with full recourse HK\$'000	Bills receivable endorsed to suppliers with full recourse HK\$'000	Total HK\$'000
As at 31 December 2025			
Carrying amount of transferred assets included in:			
– trade and bills receivables	548	3,389	3,937
Carrying amount of associated liabilities	(548)	(3,389)	(3,937)
Net position	–	–	–
As at 31 December 2024			
Carrying amount of transferred assets included in:			
– trade and bills receivables	22,698	1,997	24,695
Carrying amount of associated liabilities	(22,698)	(1,997)	(24,695)
Net position	–	–	–

Notes:

- (i) Amounts represented the Group's financial assets that were transferred to banks by discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of bills receivables and has recognised the cash received on the transfer as secured bank loans (note 25). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.
- (ii) Amounts represented the bills receivable that the Group transferred to its suppliers to settle its payables through endorsing the bills receivable to its suppliers. The Group continues to recognise the full carrying amount of these bills receivable and the payables to suppliers, as the Group has not transferred the significant risks and rewards relating to these bills receivable to the suppliers. The Group has exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing financial institutions failed to settle the bills upon maturity. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. CATEGORIES OF FINANCIAL INSTRUMENTS

	2025 HK\$'000	2024 HK\$'000
Financial assets		
Financial assets at amortised costs:		
Trade receivables	32,014	39,960
Financial assets included in deposits and other receivables	5,913	6,772
Bank balances and cash	831	8,428
Restricted deposit	11,071	10,601
	49,829	65,761
Financial assets at fair value through other comprehensive income:		
Bills receivables	3,937	24,931
	53,766	90,692
Financial liabilities		
Amortised cost:		
Trade payables	38,950	32,059
Financial liabilities included in other payables	45,907	43,482
Bank and other borrowings	309,311	333,062
Notes payable	64,925	58,642
	459,093	467,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT

The Group's financial instruments include trade and bills receivables, other receivables, bank balances and cash, trade payables, financial liabilities included in other payables, bank and other borrowings, lease liabilities and notes payable. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risks

(i) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in HKD and United States dollars ("USD"). The Group has certain subsidiaries operating in the PRC, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in RMB.

The Group exposes to foreign currency risk that are denominated in HKD and USD. The Group currently does not have hedging policy against HKD and USD. However, management monitors the Group's foreign currency risk exposure and will consider hedging significant currency risk exposure should the need arise.

As at 31 December 2025 and 2024, the carrying amounts of the Group's monetary assets and liabilities which are denominated in HKD and USD are as follows:

	2025 HK\$'000	2024 HK\$'000
Assets		
Bank balances and cash	46	41
Liabilities		
Financial liabilities included in other payables	(7,120)	(3,667)
Bank and other borrowings	(46,142)	(35,610)
Notes payable	(64,925)	(58,642)

The sensitivity analysis below includes only outstanding foreign currency bank balances, financial liabilities included in other payables, bank and other borrowings and notes payable and adjusts for translation at the end of the year, with all other variables held constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

(i) Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's (loss)/profit for the year, and equity to reasonably possible changes in RMB against HKD and USD exchange rates. 10% (2024: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The management assess the foreign currency risk arising from USD and HKD collectively because the exchange rate between USD and HKD is pegged.

	Increase/ (decrease) in rate %	Decrease/ (increase) in loss for the year and equity HK\$'000
2025		
If RMB strengthens against HKD and USD	10	8,697
If RMB weakens against HKD and USD	(10)	(8,697)
<hr/>		
	Increase/ (decrease) in rate %	Decrease/ (increase) in loss for the year and equity HK\$'000
2024		
If RMB strengthens against HKD and USD	10	8,103
If RMB weakens against HKD and USD	(10)	(8,103)

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

(ii) Interest rate risk

The Group's interest rate risk is mainly concentrated on the fluctuation of Loan Prime Rate ("LPR") arising from the Group's bank borrowings carried floating interest rates, interest rates published by the People's Bank of China ("PBOC") arising from the Group's bank balances and other borrowings carried floating interest rates and the Prime Rate arising from notes payable.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analysis below has been determined based on the exposure to pledged and unpledged bank balances, bank and other borrowings and notes payable carried at floating interest rates at the end of each reporting period. 0.5% (2024: 0.5%) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK\$336,000 (2024: HK\$653,000).

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and bills receivables, deposit and other receivables, restricted deposit and unpledged cash deposits at banks. The carrying amounts of these financial assets represent the Group's maximum exposure to credit risk.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

31 December 2025

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	90,954	90,954
Bills receivables**	3,937	–	–	–	3,937
Financial assets included in deposits, prepayments and other receivables***	7,103	–	407	–	7,510
Bank balances and cash	831	–	–	–	831
Restricted deposit	11,071	–	–	–	11,071
	22,942	–	407	90,954	114,303

31 December 2024

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	69,673	69,673
Bills receivables**	24,931	–	–	–	24,931
Financial assets included in deposits, prepayments and other receivables***	5,340	2,054	407	–	7,801
Bank balances and cash	8,428	–	–	–	8,428
Restricted deposit	10,601	–	–	–	10,601
	49,300	2,054	407	69,673	121,434

* For the trade receivable, the Group applies the simplified approach for impairment. Information based on the provision matrix is disclosed in note below.

** For bills receivables, the Group applies 12-month ECLs for the impairment as the credit risk is limited because the counterparties are banks with high reputation.

*** The credit quality of the financial assets included in other receivables and other current assets are consider to be "normal" (stage 1) when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful" (stage 2) or "loss" (stage 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

The Group expects no significant credit risk associated with cash deposits at banks since they are substantially deposited to state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. The Group's restricted deposit and unpledged cash deposits are placed in the following banks:

Group 1 – Banks and financial institution in Hong Kong

Group 2 – Top four banks in the PRC, excluding Hong Kong (China Construction Bank, Bank of China Limited, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 3 – Other state-controlled bank in the PRC

	2025 HK\$'000	2024 HK\$'000
Group 1	46	41
Group 2	11,766	16,911
Group 3	76	2,057
Total bank balances	11,888	19,009

The Group has concentration risk regarding trade and bills receivables. The following balances with customers each represent more than 10% of the total trade and bills receivables for that year:

	2025 HK\$'000	2024 HK\$'000
Customer A	31,466	–
Customer B	17,511	19,436
Customer C	9,539	11,405
	58,516	30,841

These customers are relating to particleboards segment in both years.

In order to minimise the credit risk, the management of the Group has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting to ensure that adequate impairment losses are made for irrecoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

At 31 December 2025

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	3.59%	29,683	1,065
Past due 1-30 days	22.00%	4,141	911
Past due 31-90 days	27.78%	108	30
Past due over 90 days	99.85%	57,022	56,934
Total		90,954	58,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

At 31 December 2024

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	2.43%	29,393	714
Past due 1-30 days	18.58%	1,012	188
Past due 31-90 days	27.33%	3,066	838
Past due over 90 days	77.27%	36,202	27,973
Total		69,673	29,713

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in loss allowance in respect of trade receivables during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	29,713	11,869
Expected credit losses recognised during the year, net of reversal	27,541	18,660
Exchange realignment	1,686	(816)
At 31 December	58,940	29,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the short-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows.

In order to mitigate the liquidity risk, the management regularly monitors the cash flows of the Group through monitoring the operating cash flows and utilisation of bank loans in order to meet its liquidity requirement in the short and long term. The Group's management also monitors its compliance with loan covenants.

The following tables set out the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the year.

As at 31 December 2025

	On demand or less than 6 months HK\$'000	Over 6 months but not more than 1 year HK\$'000	Over 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
Trade payables	16,837	22,113	–	38,950	38,950
Financial liabilities included in other payables	45,907	–	–	45,907	45,907
Bank borrowings:					
– at floating rate	–	554	82,643	83,197	80,058
– at fixed rate	–	548	151,067	151,615	145,544
Other borrowings:					
– at fixed rate	–	–	102,644	102,644	83,709
Notes payable	74,408	–	–	74,408	64,925
	137,152	23,215	336,354	496,721	459,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2024

	On demand or less than 6 months HK\$'000	Over 6 months but not more than 1 year HK\$'000	Over 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
Trade payables	24,369	7,690	–	32,059	32,059
Financial liabilities included in other payables	43,482	–	–	43,482	43,482
Bank borrowings:					
– at floating rate	10,607	17,765	58,118	86,490	81,448
– at fixed rate	77,710	71,775	19,518	169,003	158,691
Other borrowings:					
– at fixed rate	19,804	10,211	73,652	103,667	92,923
Notes payable	–	–	62,229	62,229	58,642
	175,972	107,441	213,517	496,930	467,245

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Except as disclosed below, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position that approximate their respective fair value.

The fair values of bills receivable at FVTOCI included in level 2 category have been determined based on a discounted cash flow analysis, with contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Management has assessed that the fair values of the bank and other borrowings and notes payable approximate their carrying amounts largely due to the fact that such borrowings and payables were made and renewed based on recent market interest rates and collateral available by the Group and hence the exposure to fair value interest risk is limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS

Information about related parties and their relationships with the Group are as follows:

Name of related party	Relationship
Ms. Wong Wan Yu	Daughter of Mr. Wong and Mrs. Wong
Mr. Wong Kin Ching	Director and son of Mr. and Mrs. Wong
Mr. Wong Kin Keung	Son of Mr. and Mrs. Wong
Ms. Liu Yan	Executive director of the Company

Details of transactions between the Group and its related parties are disclosed below.

(a) Transactions with related parties during the year

	2025 HK\$'000	2024 HK\$'000
Loan advanced from related parties:		
– Mrs. Wong	–	1,010
– Ms. Wong Wan Yu	–	1,507
	–	2,517
Loan principal repayment to related parties:		
– Ms. Wong Wan Yu	–	150
Interest expenses on unsecured loans from:		
– Mr. Wong	700	700
– Mrs. Wong	1,090	1,045
– Ms. Wong Wan Yu	1,334	1,345
	3,124	3,090
Loan facilities provided by:		
– Mr. Wong	10,000	10,000
– Mrs. Wong	20,000	20,000
– Ms. Wong Wan Yu	25,000	25,000
	55,000	55,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Personal guarantees executed by related parties

	2025 HK\$'000	2024 HK\$'000
Personal guarantees executed by Mr. Wong and Mrs. Wong in respect of the following balances: – notes payable (note 27)	64,925	58,642
Personal guarantees executed by Mr. Wong, Mrs. Wong and Mr. Wong Kin Ching in respect of the following balances: – other borrowings (note 25)	42,902	41,079
Personal guarantee executed by Mr. Wong Kin Ching and Mr. Wong in respect of the following balances: – bank borrowings (#) (note 25)	223,205	191,362

Maximum amounts of guarantees provided by Mr. Wong and Mr. Wong Kin Ching are each approximately HK\$279,555,000 (2024: HK\$248,063,000).

(c) Compensation of key management personnel and related parties

The remuneration of directors and other members of key management personnel during the year are set out as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term benefits	2,166	1,308
Post-employment benefits	13	22
	2,179	1,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel and related parties (Continued)

The remunerations paid by the Group to other related parties during the year are set out as follows:

	2025 HK\$'000	2024 HK\$'000
Ms. Wong Wan Yu		
– Short-term benefits	117	85
– Post-employment benefits	–	2
	117	87

(d) Year-end balances with related parties

	2025 HK\$'000	2024 HK\$'000
Interest payable to related parties:		
– Mr. Wong	3,121	2,421
– Mrs. Wong	5,089	3,999
– Ms. Wong Wan Yu	5,196	3,862
	13,406	10,282
Payroll payables to related parties:		
– Mr. Wong	584	298
– Mrs. Wong	–	30
– Mr. Wong Kin Ching	523	158
– Ms. Wong Wan Yu	117	85
– Other directors and a key management personnel	942	582
	2,166	1,153
Amount due to a director:		
– Ms. Liu Yan	1,399	–
	1,399	–
Total amounts included in other payables and accrued expenses (note 23)	16,971	11,435

The balance above included in other payables and accrued expenses are interest-free, unsecured and have no fixed term of repayment in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances with related parties (Continued)

	2025 HK\$'000	2024 HK\$'000
Unsecured loans from		
– Mr. Wong	9,061	10,000
– Mrs. Wong	16,670	15,580
– Ms. Wong Wan Yu	20,411	19,077
Total amounts included in bank and other borrowings (note 25)	46,142	44,657

The unsecured loans carry interest of 7% per annum (2024: 7%). During the year ended 31 December 2025, the unsecured loans was extended one year and are repayable on 31 December 2027 (2024: repayable on 31 December 2026).

(e) Applicability of the GEM Listing Rules relating to connected person transactions

The transactions set out above are exempted continuing connected transactions as they are conducted on terms favourable than normal commercial terms, and the loans, year-end balances or guarantee are not secured by the assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK\$'000	2024 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	44,308	283,885
	44,308	283,885
CURRENT ASSETS		
Amounts due from subsidiaries	116	116
Deposit and other receivables	81	82
Bank balances and cash	45	39
	242	237
CURRENT LIABILITIES		
Amount due to a subsidiary	79,098	79,097
Other payables and accrued expenses	7,942	7,228
Notes payable	64,925	–
	151,965	86,325
NET CURRENT LIABILITIES	(151,723)	(86,088)
TOTAL ASSETS LESS CURRENT LIABILITIES	(107,415)	197,797
NON-CURRENT LIABILITIES		
Other borrowings due after one year	61,014	57,890
Notes payable	–	58,642
	61,014	116,532
NET (LIABILITIES)/ASSETS	(168,429)	81,265
CAPITAL AND RESERVES		
Share capital	272,376	270,886
Reserves	(440,805)	(189,621)
TOTAL (DEFICIT)/EQUITY	(168,429)	81,265

The Company's statements of financial position was approved and authorised for issue by the Board of Directors on 31 March 2026 and are signed on its behalf by:

Wong Kin Ching
Director

Liu Yan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in Company's reserves

	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	492	(15,620)	(162,905)	(178,033)
Loss and total comprehensive loss for the year	–	290	(11,878)	(11,588)
At 31 December 2024 and 1 January 2025	492	(15,330)	(174,783)	(189,621)
Loss and total comprehensive loss for the year	–	–	(251,184)	(251,184)
Issue of new shares	100	–	–	100
Transaction cost attributable to issue of new shares	(100)	–	–	(100)
At 31 December 2025	492	(15,330)	(425,967)	(440,805)

At 31 December 2025 and 2024, particulars of the subsidiaries are as follows:

Name of subsidiary	Place of establishment and operation	Registered capital/Paid in capital	Percentage of ownership interests directly or indirectly held by the Company	Principal activities
Hero Summit Limited [#]	Samoa Islands	US\$1.00/US\$1.00	100%	Investment holding
Hongwei Renhua* (note)	PRC	HK\$302,000,000/ HK\$272,500,000	100%	Manufacturing and selling of particleboards
Shaoguan Hong Tai Heng Trading Co. Ltd.* (note)	PRC	RMB1,000,000/ RMBnil	100%	Trading of particleboards
Shaoguan Jianhong Forestry Co., Ltd.* (note)	PRC	HK\$5,000,000/ HK\$nil	100%	Forestry business
Superb Fancy Limited [#]	Hong Kong	N/A/HK\$1.00	100%	Investment holding
Qingliu Jianhong Forestry Co., Ltd.* (note)	PRC	HK\$5,000,000/ HK\$nil	100%	Forestry business
Universal Success Enterprise Limited [#]	Hong Kong	N/A/HK\$1.00	100%	Investment holding

* Registered as a wholly-foreign owned enterprise with limited liability under the PRC law.

[#] Registered as limited company in the relevant jurisdiction.

Note: English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year.

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 December 2021, 2022, 2023, 2024 and 2025.

RESULTS

	2025 HK\$'000	Year ended 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	101,686	314,378	481,810	402,253	404,287
(Loss)/profit before tax	(125,009)	(52,783)	(4,477)	11,537	(30,399)
Income tax (expense)/credit	(13,413)	6,506	5,930	(3,192)	(4,382)
(Loss)/profit for the year	(138,422)	(46,277)	1,453	8,345	(34,781)

	2025 HK\$'000	As at 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES					
Current assets	280,251	381,432	374,475	304,253	299,245
Non-current assets	295,255	363,117	399,843	440,992	473,847
Total assets	575,506	744,549	774,318	745,245	773,092
Current liabilities	176,536	328,657	321,511	324,162	371,025
Non-current liabilities	333,212	223,184	201,404	166,599	125,041
Total liabilities	509,748	551,841	522,915	490,761	496,066
Net assets	65,758	192,708	251,403	254,484	277,026
EQUITY					
Equity attributable to owners of the Company	65,758	192,708	251,403	254,484	277,026