



温嶺浙江工量刃具交易中心股份有限公司
Wenling Zhejiang Measuring and Cutting Tools
Trading Centre Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock code : 1379

2025
ANNUAL REPORT



* for identification purposes only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. CHEN Xiangbiao (*Chief executive officer*)
(appointed on 4 June 2025)

Mr. GUO Jun (appointed on 4 June 2025)

Mr. XU Yi

Mr. PAN Haihong (resigned on 14 April 2025)

Non-executive Directors

Mr. JIN Guoxin (*Chairman of the Board*)
(appointed on 4 June 2025)

Mr. WANG Wenming

Mr. CHENG Jinyun

Mr. YE Yunzhi

Independent Non-executive Directors

Mr. XU Wei

Ms. HE Liyun

Mr. WONG Ka Wai

Ms. XU Chunhui (appointed on 4 June 2025)

AUDIT COMMITTEE

Mr. WONG Ka Wai (*Chairman*)

Mr. XU Wei

Ms. HE Liyun

REMUNERATION COMMITTEE

Ms. HE Liyun (*Chairlady*)

Mr. CHEN Xiangbiao (appointed on 4 June 2025)

Ms. XU Chunhui (appointed on 4 June 2025)

Mr. WONG Ka Wai (retired on 4 June 2025)

Mr. PAN Haihong (resigned on 14 April 2025)

NOMINATION COMMITTEE

Mr. JIN Guoxin (*Chairman*)
(appointed on 4 June 2025)

Mr. XU Wei

Ms. XU Chunhui (appointed on 4 June 2025)

Mr. PAN Haihong (resigned on 14 April 2025)

Ms. HE Liyun (retired on 4 June 2025)

COMPANY SECRETARY

Mr. XU Yi

AUTHORISED REPRESENTATIVES

Mr. XU Yi

Mr. WANG Wenming

(appointed on 15 April 2025)

Mr. PAN Haihong (resigned on 14 April 2025)

LEGAL REPRESENTATIVE

Mr. CHEN Xiangbiao

SUPERVISORY COMMITTEE

Mr. FENG Lin Jun (*Chairman*)

Mr. ZHOU Jiashen

Mr. XIE Huihui

LEGAL ADVISERS

As to the PRC Laws

L&H Law Firm

As to the Hong Kong Laws

DeHeng Law Offices (Hong Kong) LLP

AUDITOR

KPMG, Public Interest Entity Auditor registered

in accordance with the Accounting and

Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation

Wenling Wenqiao Sub-branch

Industrial Bank Co., Ltd.

Taizhou Wenling Sub-branch

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

Qianyangxia Village
Wenqiao Town
Wenling City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 11B, 22/F
Skyline Tower
No. 39 Wang Kwong Road
Kowloon Bay, Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1379

WEBSITE

<http://cnglj.com>

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2025	2024	2023	2022	2021
Major Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue (RMB'000)	68,973	68,814	96,802	230,860	57,205
Gross profit (RMB'000)	54,988	55,451	63,747	88,234	47,267
Gross profit margin	79.7%	80.6%	65.9%	38.7%	82.6%
Profit for the year (RMB'000)	16,294	15,070	27,210	57,509	47,317
Net profit margin	23.6%	21.9%	28.1%	24.9%	82.7%
Basic and diluted earnings per share (RMB)	0.20	0.19	0.34	0.72	0.59

	As at 31 December				
	2025	2024	2023	2022	2021
Major Items of Consolidated Statement of Financial Position					
Non-current assets (RMB'000)	1,042,943	1,028,903	1,052,422	1,067,841	1,025,227
Current assets (RMB'000)	54,655	87,273	77,762	102,097	213,884
Current liabilities (RMB'000)	81,202	87,672	84,349	127,414	225,056
Net current liabilities (RMB'000)	26,547	399	6,587	25,317	11,172
Non-current liabilities (RMB'000)	216,693	226,695	240,696	248,595	252,035
Net assets (RMB'000)	799,703	801,809	805,139	793,929	762,020
Gearing ratio (Note 1)	0.0%	0.0%	0.0%	0.0%	2.0%

Note:

- (1) Gearing ratio equals to total debt divided by total equity as at the end of the year. Total debt includes all interest-bearing bank loans.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of 溫嶺浙江工量刃具交易中心股份有限公司 Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited* (the “**Company**”, together with its subsidiaries, collectively the “**Group**”), I would like to present to the shareholders of the Company (the “**Shareholders**”) the annual results and consolidated financial statements of the Group for the year ended 31 December 2025.

In 2025, the global economic landscape continues to evolve amid profound adjustments, with geopolitical risks intertwined with supply chain restructuring. The trends toward regionalization and resilience in manufacturing are becoming increasingly pronounced. Driven by the in-depth implementation of the 14th Five-Year Plan, China's economy remains committed to high-quality development. Strategic emerging industries such as high-end equipment, new energy, semiconductors, and aerospace maintain robust growth momentum, accelerating the transformation of the measuring and cutting tools sector toward precision, intelligence, and service orientation. Industry competition has evolved beyond mere product performance comparisons to encompass comprehensive contests in supply chain synergy, technical service capabilities, and global operational footprints.

Amid a market environment brimming with both challenges and opportunities, the Group has steadfastly focused on its core business while pursuing steady progress. Centering on the development priorities of “enhancing operational quality, accelerating project execution, and boosting innovation capabilities”, it has achieved several strategically significant milestones.

Market Foundation Strengthened, Operational Resilience Enhanced. The Wenling Measuring and Cutting Tools Trading Centre in Zhejiang Province (“**Trading Centre**”) successfully completed a new five-year lease cycle for stalls on the first and second floors, achieving an overall occupancy rate of 96.7%. This ensured fundamental stability in the core revenue segment despite complex market conditions. For the year ended 31 December 2025, the Group recorded property rental income of RMB65.3 million, which remained stable as compared to the same period last year. Concurrently, the level of market supporting services was significantly enhanced. The intelligent upgrade of parking facilities and the expansion of the charging infrastructure network further optimized the business experience for tenants and customers.

“Shanhaitianqiao” Project Successfully Launched, Strategic Development Enters New Milestone. During the year, the Group's key planned project – “Shanhaitianqiao” – completed all critical preliminary stages including land acquisition, scheme design, and construction general contracting bidding. It has now fully entered the pile foundation construction phase. This project will further consolidate and elevate the Group's market position.

Continuous Optimization of Science and Technology Innovation Ecosystem and Upgraded Industrial Empowerment. The operational quality and efficiency of the Xuri Measuring and Cutting Tools Science and Technology Innovation Park steadily improved. It attracted a doctoral team led by a National Thousand Talents Program recipient, jointly advancing the construction of high-level innovation platforms such as a provincial key laboratory and an international joint laboratory for advanced coatings. Synergies among industry, academia, and research are gradually emerging. The Industrial Internet Platform and Industrial Supply-Demand Platform for measuring and cutting tools continue to iterate, providing robust support for regional enterprises' digital transformation and industrial chain integration.

CHAIRMAN'S STATEMENT

Omni-channel marketing shows initial results, boosting brand globalization. The Group has established an omni-channel marketing strategy, systematically advancing the integration of online and offline operations. It accelerated the global expansion of its proprietary "WENCERL" brand, completing trademark registrations in 11 overseas markets. The independent website achieved breakthrough international exposure, culminating in the successful execution of its first overseas order in December 2025.

OUTLOOK

Looking ahead to 2026, the global wave of digital and green transformation in manufacturing will further reshape industrial landscapes. The measuring and cutting tools industry faces a critical window to leap from "basic support" to "value creation". The Group will remain anchored to high-quality development goals, leveraging the "Shanhaitianqiao" project as a strategic driver to elevate both market competitiveness and industrial service capabilities. Leveraging our innovation platform as an engine to deepen industry-academia-research-application integration; and using global marketing as a breakthrough to accelerate the internationalization of our proprietary brands. We will steadfastly advance resource integration, model innovation, and ecosystem development, striving to become the most valuable comprehensive service provider in China's measuring and cutting tools industry.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our tenants, other business partners and Shareholders for their continuous support. I would like to also thank the management team and all staff members for their contribution during the year.

JIN Guoxin

Chairman

Wenling City, the PRC

26 March 2026

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this report, the information of the directors, supervisors and senior management of the Company is as follows:

DIRECTORS

Executive Directors

Mr. CHEN Xiangbiao (陳祥標), aged 49, is our executive Director since June 2025. Mr. Chen joined the Group and served as the general manager and legal representative of the Company in April 2025. Mr. Chen has over 15 years of experience in the convention and exhibition and property management industries. Mr. Chen has obtained various honours in the industries, such as “National Level 3 Exhibition Planner” (2012) and “National Level 2 Exhibition Planner” (2013) awarded by Hangzhou Municipal Bureau of Human Resources and Social Security, “Zhejiang Top Ten Outstanding Exhibition Figures” (2013) awarded by Zhejiang International Convention & Exhibition Industry Association and Annual China Outstanding Exhibition Entrepreneur Award (2014 & 2016) awarded by China Convention/Exhibition/Event Society.

Mr. Chen graduated from the Correspondence Academy of the Party School of the CPC Central Committee with a degree in business administration by correspondence in 2003. Mr. Chen started his career in June 1999 in Wenling Commerce Bureau, Wenling Bureau of Trade and Grain and Wenling Grain and Oil Management Company successively. From May 2011 to April 2025, he held different positions in Wenling Convention and Exhibition Centre Company Limited, with his last position being general manager. In April 2025, Mr. Chen formally joined the Group and served as the general manager and legal representative of the Company.

Mr. GUO Jun (郭俊), aged 42, is our executive Director and vice-general manager since June 2025. Mr. Guo graduated from Zhejiang Agriculture and Forestry University in 2023 with a degree in civil engineering. Mr. Guo has the qualification of national first-class construction engineer and project manager certificate. During the period from 2005 to 2022, Mr. Guo served in different projects in the development company under the Wenling Construction and Planning Bureau and the Wenling Urban Renewal and Construction Office. From September 2022 to November 2024, Mr. Guo served as the head of the preliminary construction department of Wenling City Qiaoling Investment Development Company Limited, a controlling shareholder of the Company as defined under the Listing Rules, and since December 2024, Mr. Guo has served as a vice general manager.

Mr. XU Yi (徐亦), aged 30, is our executive Director. He was appointed as a personnel of information disclosure of our Company since April 2018 and the company secretary of our Company since August 2018, and is primarily responsible for overseeing corporate governance, compliance, risk management and company secretarial matters of our Group.

Mr. Xu also worked as a person-in-charge in office of our Company from September 2016 to April 2018, where he was responsible for overseeing the daily operations, compliance and secretarial matters of our Company. Mr. Xu graduated from the University of Wales, the United Kingdom with a bachelor degree of arts, majoring in art and design (3D computer animation) in August 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. JIN Guoxin, aged 49, is chairman of our Board and a Director since June 2025. Mr. Jin has over 20 years of experience in property leasing industry and management. Mr. Jin graduated from Zhejiang University in 1998 with a degree in business administration. From November 1998 to September 2015, Mr. Jin held different positions in the Administration for Industry and Commerce of Wenling, with his last position being deputy director; from September 2015 to February 2018, Mr. Jin served as a deputy director of the Market Supervision and Regulation Bureau of Wenling; since February 2018, Mr. Jin has served as a director and deputy general manager of Wenling Market Group Company Limited, a controlling shareholder of the Company as defined under the Listing Rules.

Mr. WANG Wenming (王文明), aged 58, has been appointed as a Director since 3 May 2018. Mr. Wang was re-designated as a non-executive Director on 21 November 2018 and is primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of our Group.

Mr. Wang has over 17 years of experience in management and administration. Prior to joining our Group, Mr. Wang has worked for Wenling City Wenqiao Town Maoyang Village Villagers Committee* (溫嶺市溫嶠鎮茅洋村村民委員會) (the “**Maoyang Village Committee**”) since November 2006, first as a deputy officer and subsequently as a secretariat, where he is responsible for the overall management and administration of and providing strategic advice to Maoyang Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶠鎮茅洋村). Mr. Wang served as a deputy of the Standing Committee of the Fifth National People’s Congress of Taizhou City in 2017 and has been a member of the 14th Committee in Wenling City of the Chinese People’s Political Consultative Conference since February 2017. Mr. Wang graduated from Wenling City College of Vocation and Technology* (溫嶺市職業技術學院) in the PRC in January 2011.

Mr. CHENG Jinyun (程錦雲), aged 68, has been appointed as a Director since 3 May 2018. Mr. Cheng was re-designated as a non-executive Director on 21 November 2018 and is primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of our Group.

Mr. Cheng has approximately 22 years of experience in management and administration. Prior to joining our Group, Mr. Cheng has worked for Wenling City Wenqiao Town Shangjie Village Villagers Committee* (溫嶺市溫嶠鎮上街村村民委員會) (the “**Shangjie Village Committee**”) since January 2003 first as a member and subsequently the village head, and currently the secretariat, where he was responsible for the overall management and administration of the village and making significant decisions on the development of the village.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YE Yunzhi (葉雲志), aged 60, has been appointed as a Director since 3 May 2018. Mr. Ye was re-designated as a non-executive Director on 21 November 2018 and is primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of our Group.

Mr. Ye has over 17 years of experience in management and administration. Prior to joining our Group, Mr. Ye has worked for Wenling City Wenqiao Town Zhongjie Village Villagers Committee* (溫嶺市溫嶠鎮中街村村民委員會) (the “**Zhongjie Village Committee**”) since April 2005, first as a party branch member of Zhongjie Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶠鎮中街村) (the “**Zhongjie Village**”) and a committee member and subsequently as an officer, where he is responsible for overall management and administration of the village and providing strategic advice to the village. Mr. Ye received the award of Excellent Communist Party Member in Wenling City* (溫嶺市創先爭優優秀共產黨員) from the Wenling City Committee in June 2012. Mr. Ye completed a course in agricultural economic management organised by Taizhou Administration Institute* (台州行政學院) in the PRC in July 2008.

Independent Non-Executive Directors

Mr. XU Wei (許偉), aged 55, has been appointed as our independent non-executive Director since 9 November 2018 and is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of each of the audit and nomination committees of our Company.

Mr. Xu is a registered lawyer in the PRC and has over 32 years of experience in the legal industry. Mr. Xu was employed by Wenling City Songmen Legal Service Office* (溫嶺市松門法律服務所) as a legal officer from April 1993 to April 1999 and by Wenling City Ruoheng Legal Service Office* (溫嶺市箬橫法律服務所) as a chief officer from May 1999 to December 2012, where he was both primarily responsible for providing legal services. Subsequently, Mr. Xu worked for Zhejiang Mingquan Law Firm* (浙江明權律師事務所) as a trainee solicitor from January 2013 to March 2014, where he was primarily responsible for assisting the firm’s lawyers in legal related matters. Mr. Xu then worked for Zhejiang Qianheng Law Firm* (浙江乾衡律師事務所) as a lawyer from April 2014 to April 2015, where he was primarily responsible for providing legal services. Mr. Xu has worked for Zhejiang Qianheng (Wenling) Law Firm* (浙江乾衡(溫嶺)律師事務所) as a lawyer since May 2015, where he is primarily responsible for assisting in the management of the firm and providing legal services. Mr. Xu passed the National Judicial Examination* (國家司法考試) in the PRC and obtained his legal professional qualification in March 2012. Mr. Xu completed a course in legal studies through distance learning organised by the China University of Geosciences (中國地質大學) in the PRC in June 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. HE Liyun (何麗雲), aged 53, has been appointed as our independent non-executive Director since 30 December 2024 and is primarily responsible for supervising and providing independent judgment to our Board. She is also a chairlady of the remuneration committee and members of each of audit committee of audit and nomination committees of our Company.

Ms. He has graduated from Dongbei University of Finance & Economics with a bachelor's degree in financial management. She is currently a Certified Tax Advisor in the People's Republic of China (the "PRC"), a Senior Accountant in the PRC and a council member of the Yuhuan Accounting Society. From January 1997 to January 2000, she served as a General Ledger Accountant at Zhejiang Lizhong Industrial Co., Ltd.* (浙江利中實業有限公司). From February 2000 to May 2002, she was a Cost Accountant at Yuhuan Longsheng Fishery Products Co., Ltd.* (玉環龍生水產製品有限公司). From June 2002 to April 2005, she worked as the Chief Accountant at Yuhuan County Puxing Auto Parts Co., Ltd.* (玉環縣普星汽車零部件有限公司). From May 2005 to January 2014, she served as the Chief Financial Officer of Taizhou Jiaxian Industrial Co., Ltd.* (台州佳先工業有限公司) and Wuhu Jiaxian Drive Shaft Co., Ltd.* (蕪湖佳先傳動軸有限公司). From February 2014 to October 2015, she held the position of Finance Director at Zhejiang Headman Machine Tool Manufacturing Co., Ltd.* (浙江海德曼機床製造有限公司). Since November 2015, she has been serving as the Chief Financial Officer of Zhejiang Headman Intelligent Equipment Co., Ltd.* (浙江海德曼智能裝備股份有限公司), and is primarily responsible for overseeing the financial management and compliance of the company. Since September 2020, Ms. He has been a lecturer of business management and accounting at the Yuhuan Campus of Zhejiang Open University.

Ms. Xu Chunhui (徐春慧), aged 38, is our independent non-executive Director since June 2025. Ms. Xu graduated from Chongqing University with a control theory and control engineering degree in 2012 and obtained a master's degree in control theory and control engineering from Chongqing University in 2017. From June 2010 to September 2012, Ms. Xu served as a research and development engineer in the heavy equipment division of CSIC Shaanxi Diesel Engine Heavy Industry Company Limited. From June 2015 to August 2019, Ms. Xu was the director of scientific and technological services of the Zhejiang Branch of the Institute of Computing Technology of the Chinese Academy of Sciences and the Zhejiang Centre of Intelligent Property Rights Operation and Management Centre of the Chinese Academy of Sciences; and since September 2019, Ms. Xu has served as the general manager of the Incubation Operations Department of the Zhejiang International Collaborative Innovation Research Company.

Mr. WONG Ka Wai (王加威), aged 46, has been appointed as our independent non-executive Director since 6 May 2022 and is primarily responsible for supervising and providing independent judgment to our Board. He is also a chairman of the audit committee of our Company and a member of remuneration committee of our Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wong has graduated from the City University of Hong Kong with a bachelor of business administration in accountancy in November 2001 and is currently a member of the Association of Chartered Certified Accountants. Mr. Wong has also obtained a bachelor of laws from the University of London in August 2007. Prior to joining the Group, Mr. Wong has over 11 years of experience in the tax and accounting field. From September 2001 to May 2004 and from April 2005 to July 2006, Mr. Wong was employed as the tax consultant of KPMG. From July 2006 to January 2008, Mr. Wong was the senior accountant in the tax department of Ernest & Young and was subsequently transferred to the tax department of the Shanghai office as manager until May 2010. From November 2010 to September 2011, he was the manager of BASF East Asia Regional Headquarters Limited, a chemical company principally engaged in chemicals, glues, and electronic chemicals. From November 2011 to December 2012, Mr. Wong was employed as a manager of the individual tax business unit in PricewaterhouseCoopers. From January 2013 to March 2017, Mr. Wong was a chairman of Jai Dam Distribution (Hong Kong) Co. Ltd, a company principally engaged in distributorship of a European fashion and jewellery brand, and was responsible for business development and management of a French jewellery brand in China region. From February 2017 to June 2017, Mr. Wong was an independent non-executive director of Green International Holdings Limited (listed on the Main Board of the Stock Exchange: stock code: 2700). Mr. Wong is an independent non-executive director of Jujiang Construction Group Co., Ltd. (listed on the Main Board of the Stock Exchange: stock code: 1459) from August 2015 to May 2025. Mr. Wong was the chief financial officer and company secretary of the Ruifeng Power Group Company Limited (listed on the Main Board of the Stock Exchange: stock code: 2025) from May 2017 to June 2023.

SUPERVISORS OF THE COMPANY (THE “SUPERVISORS”)

Mr. FENG Lin Jun (馮林軍), aged 42, has been appointed as our chairman of our Supervisory Committee since 27 March 2024.

Mr. Feng has about 12 years of experience in the management. Mr. Feng has been working in the local government authority of Wenling City since April 2014 and currently serves as the secretary of the discipline inspection commission of Wenling City Market Group Company Limited. Mr. Feng obtained associate degree of Major in Environmental and Art Design from Jiangxi Science and Technology Normal University in the PRC in June 2022.

Mr. XIE Huihui (謝輝輝), aged 37, has been appointed as an employee representative Supervisor since 3 May 2018 and is primarily responsible for supervising the performance of duties by our Directors and members of the senior management of our Group.

Mr. Xie has about 11 years of experience in the trading centre operation industry and has ample knowledge of business and risk management. Mr. Xie was the head of the shops management department of our Company from October 2009 to April 2018, where he was responsible for managing the properties of our Company, handling enquiries from regulatory authorities and overseeing the operations of our Company. Mr. Xie completed a course in software college computer information management from Ningbo Dahongying University (寧波大紅鷹學院) in the PRC in July 2008.

Mr. ZHOU Jiashen (周珈申), aged 30, has about 8 years of experience in the trading centre operation industry and has ample knowledge of business and risk management. Mr. Zhou is the head of the administrative department of the Company since September 2017, where he is responsible for general administrative works and overseeing the operations of the Company. Mr. Zhou worked as a clerk in the administrative centre of Wenling Municipal Government from July 2016 to July 2017, where he was responsible for administrative works. Mr. Zhou completed a course in visual communication from the Hangzhou Zhijiang College (中國杭州之江學校) in the PRC in June 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. CHEN Xiangbiao (陳祥標), aged 49, is a chief executive officer and the general manager of our Company. For the biographical details of Mr. Chen, please refer to the paragraph headed “Executive Directors” in this section.

Mr. GUO Jun (郭俊), aged 42, is a vice-general manager of our Company. For the biographical details of Mr. Guo, please refer to the paragraph headed “Executive Directors” in this section.

Mr. XU Yi (徐亦), aged 32, is the company secretary of our Company. For the biographical details of Mr. Xu, please refer to the paragraph headed “Executive Directors” in this section.

Mr. XIA Xianfa (夏仙法), aged 57, has been appointed as a deputy general manager of our Company since October 2009 and is primarily responsible for managing the properties, safety, human resources and operations of our Group.

Mr. Xia has over 12 years of experience in the trading centre operation industry and has extensive knowledge in the areas of property and risk management. Mr. Xia served as village head in Qianyangxia Village from February 2005 to February 2014, where he was responsible for overall management and administration of the village. Mr. Xia received the awards of Advanced Individual in Village Work of 2005* (2005年度村級工作先進個人) and Advanced Individual in Population and Birth Planning Work of 2009* (2009年度人口與計劃生育工作先進個人) from the Chinese Communist Wenqiao Town Committee* (中共溫嶠鎮委員會) of Wenqiao Town People’s Government in April 2006 and March 2010, respectively. Mr. Xia completed a course in agricultural economic management organised by Taizhou Administration Institute* (台州行政學院) in the PRC in July 2011.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed in this annual report, there has been no change in information required to be disclosed by the Directors, Supervisors and chief executive of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Measuring and cutting tools refer to those tools or products which are used in the machine manufacturing process for measuring and cutting or as auxiliaries for measuring and cutting. They mainly include measuring tools, cutting tools, and other tools. High-quality measuring and cutting functioning are important for manufacturing process for improving production efficiency and reducing the probability of systematic error.

According to the data from the National Bureau of Statistics of the PRC, the Gross Domestic Product (GDP) of the PRC grew by 5.0% in 2025 as compared with the previous year. Throughout 2025, China's industrial output value from enterprises above designated size grew by 5.9% year-on-year. Manufacturing served as the primary driver of this growth, expanding by 6.4%. Within this sector, equipment manufacturing and high-tech manufacturing demonstrated robust performance, growing by 9.2% and 9.4% respectively – significantly outpacing the industrial average. This reflects the ongoing deepening of structural upgrades within China's manufacturing industry. Strategic emerging industries such as new energy vehicles, industrial robots, and semiconductor equipment expanded rapidly, driving robust demand growth in specialized segments including superhard material cutting tools, precision measuring instruments, and intelligent cutting tools.

In 2025, Wenling City achieved a regional GDP of RMB 146.90 billion, representing a year-on-year increase of 3.6% as compared with the previous year. As the "Hometown of China's Measuring and Cutting Tools", Wenling City's measuring and cutting tools industry cluster continues to consolidate its competitive edge. The Wenling Measuring and Cutting Tools Price Index first declined then rebounded, closing the year at 118.76 points – a 5.07% increase compared to the end of 2024. High-end computer numeric control (CNC) tools gained stronger bargaining power through technological added value, reflecting the market's growing willingness to pay for high-quality products.

In 2025, the measuring and cutting tools industry featured a competitive landscape where "leading enterprises drive technological innovation while Small and medium-sized enterprises (SMEs) carve out niche advantages". Top players are accelerating investments in intelligent cutting tool management systems, coating technology R&D, and digital supply chains, while SMEs focus on building differentiated competitive strengths in specific application scenarios. Upstream raw material prices have generally stabilized, though regional restructuring of international supply chains has created temporary pressure on the supply of certain high-end coating materials and alloy powders. At the policy level, the state continues to increase support for industrial machine tools, basic components, and key consumables. The measuring and cutting tools industry has been included in various provincial advanced manufacturing cluster cultivation lists, ushering in a new round of development opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established measuring and cutting tools trading centre operator in China. The Company was founded in 2003 and owns, operates and manages the four-storey trading centre (Zhejiang Measuring and Cutting Tools Trading Centre) located in Qianyangxia Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶺鎮前洋下村) (the “**Trading Centre**”). The Trading Centre is essentially for product displaying and trading purposes, such that it is primarily targeted to provide units for the tenants as shops to display, trade and promote their measuring and cutting tools products to their downstream customers. In October 2022, the Group’s science and technology innovation park (the “**Science and Technology Innovation Park**”) located in Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶺鎮琛山村) has been officially put into service, and expanded the property leasing business in the measuring and cutting tools industry to provide more value-added services.

The Group is committed to leveraging the advantages of “market + industry” to accelerate the transformation and rise of the measuring and cutting tools industry. The Group’s principal business activities and sources of revenue are from the operation of the property leasing business of the Trading Centre and the Science and Technology Innovation Park and the disposal of part of the Science and Technology Innovation Park units. On the other hand, the Group embarked on property development through Project Shanhaitianqiao* (山海天嶠) (“**Project Shanhaitianqiao**”) located in the core development zone of Wenqiao Town, Wenling City in 2025. This strategic initiative is expected to strengthen the Group’s market position in the measuring and cutting tools industry and industrial park operations, while enhancing its existing property leasing business with additional leasable floor area upon expected completion in the fourth quarter of 2027, thereby supporting the Group’s long-term sustainable growth. For the year ended 31 December 2025, our revenue and profit for the period increased by approximately 0.2% and approximately 8.1% respectively as compared with the corresponding period of last year, mainly because of an increase in other net income for the year ended 31 December 2025.

Property Leasing Business – Trading Centre

Our Trading Centre is a four-storey commercial complex with basement with a total gross floor area (“**GFA**”) of approximately 74,204.7 sq.m., of which a total GFA of approximately 71,817.5 sq.m. is held for leasing to our tenants for their trading and products displaying purpose and a total GFA of approximately 2,387.2 sq.m. is held for our own offices. The land use rights of the Trading Centre were granted for a term expiring on 15 November 2046, which is a long-term lease, for commercial use. As at 31 December 2025, the value of the Trading Centre was RMB812.0 million (31 December 2024: RMB829.0 million), the interest of which is wholly owned by the Group.

We lease the units on the first and the second floors to the Group and individuals for selling measuring and cutting tools. The new five-year leasing cycle has been successfully completed, achieving an overall occupancy rate of 96.7%. Total leasing revenue remained largely unchanged from the previous cycle, ensuring stability in core revenue streams despite complex market conditions. We designate part of the third floor as the electronic business park for leasing to the measuring and cutting tools e-commerce business operators. We use the fourth floor as our office, and the basement as the car park. The underground car park has completed its smart upgrade, with 20 new charging stations installed to enhance the market’s supporting services. We also provide our tenants with property management service and support services, namely the Wenling – China Measuring and Cutting Tools index (溫嶺•中國工量刃具指數) and the measuring and cutting tools financing service. As at 31 December 2025, our Trading Centre had 621 tenants (31 December 2024: 615 tenants).

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the information regarding the average monthly effective rent per square meter for the leased area in the Group's Trading Centre for each of the years.

	For the year ended 31 December	
	2025	2024
	Average monthly effective rent (in RMB per sq.m.)	Average monthly effective rent (in RMB per sq.m.)
First floor	364.5	373.2
Second floor	195.3	193.8
Third floor	62.3	62.8
Basement	17.1	17.1

Note:

Average monthly effective rent is calculated by total rental income divided by the weighted average leasable floor area ("LFA") leased during the periods indicated.

For the year ended 31 December 2025, the leasable floor area of the Trading Centre and the percentage of LFA leased to our tenants are 24,100.68 sq.m. and 97.0% (for the year ended 31 December 2024: 24,092.68 sq.m. and 94.3%), respectively. The LFA leased is calculated as the percentage of LFA retained and leased by the Group to the tenants to the LFA for each of the periods.

In 2025, the Trading Centre completed all preparations for the final acceptance of its national-level intellectual property protection standardized market cultivation initiative, fully preparing to undergo the final evaluation by the National Intellectual Property Administration.

Property Leasing Business – Science and Technology Innovation Park

In December 2018, the Group successfully won the bid for the land at the bid price of RMB63.5 million for the construction of the Science and Technology Innovation Park. The land use rights of the Science and Technology Innovation Park were granted for a term expiring on 27 January 2069, which is a long-term lease. The floor area of the Science and Technology Innovation Park shall be approximately 116,000 sq.m., including a factory floor area of approximately 78,000 sq.m. and involving 13 standard factories and 2 integrated administration buildings. The Science and Technology Innovation Park is mainly for manufacturing purpose that it targets to provide units for use as factories and workshops, where upstream manufacturers would conduct manufacturing and production of measuring and cutting tools (as compared with our Trading Centre where tenants therein primarily use the units as shops to conduct product display, trading and promotion).

MANAGEMENT DISCUSSION AND ANALYSIS

The Science and Technology Innovation Park commenced operation in October 2022, The Group has built the Science and Technology Innovation Park into a comprehensive industrial cluster integrating research and development, production, and services, forming a regional cluster economy centered on “industry + market”. In addition, we facilitate financing service as well as professional support to the tenants’ manufacturing business.

As at 31 December 2025, the fair value of the Science and Technology Innovation Park was approximately RMB172.8 million (31 December 2024: RMB 180.0 million), the interest of which was wholly-owned by the Group.

As at 31 December 2025, we have introduced a total of 25 tenants for the Science and Technology Innovation Park (31 December 2024: 19). The following table sets forth the information regarding the average monthly effective rent per square metre for the leased area in the Science and Technology Innovation Park for the periods.

	For the year ended 31 December	
	2025	2024
	Average monthly effective rent (in RMB per sq.m.)	Average monthly effective rent (in RMB per sq.m.)
Factories	15.5	15.5
Dormitories	18.7	20.2
Basement	20.9	20.9

Note:

Average monthly effective rent is calculated as total rental income divided by the weighted average leasable floor area (“LFA”) leased during the periods indicated.

For the year ended 31 December 2025, the LFA of the Science and Technology Innovation Park and the percentage of LFA leased to our tenants are 56,365.90 sq.m. and 72.0% (for the year ended 31 December 2024: 56,365.90 sq.m. and 68.6%), respectively. The LFA leased is calculated as the percentage of LFA retained and leased by the Group to the tenants to the LFA for each of the periods.

Integrated Innovation Service Complex for Measuring and Cutting Tools

Leveraging the advantages of industrial investment platforms such as the Trading Centre and the Science and Technology Innovation Park, the Group has established an R&D-centered integrated innovation service complex for the measuring and cutting tools sector. This complex serves as a one-stop service platform integrating resources for new coating material R&D, technology commercialization, entrepreneurial incubation, talent recruitment and cultivation, and technological upgrades.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the complex introduced an 8-member doctoral team led by a nationally recognized leading talent, facilitating multiple technical service contracts with industry leaders. Construction of innovation platforms – including the Zhejiang Provincial Key Laboratory for Measuring and Cutting Tools, Taizhou Doctoral Innovation Workstation, and International Joint Laboratory for Advanced Coating Technology – is progressing steadily. The jointly operated supply-demand platform has integrated data from over 100 Wenling enterprises and attracted nearly 200 industry experts, providing resources such as national industrial policy interpretation and supply-chain matching. The Industrial Internet Platform for Measuring and Cutting Tools, co-developed with Taizhou University Wenling Research Institute, is operating normally and actively pursuing provincial and municipal-level industrial internet platform certification.

Property Development – Project “Shanhaitianqiao”

The Project Shanhaitianqiao was the Group's core strategic investment initiative for 2025. Located in the core development zone of Wenqiao Town, Wenling City, this project is expected to further consolidate and enhance the Group's market position within the overall measuring and cutting tools market. Simultaneously, it will expand the Group's capabilities in industrial park operations and services while growing its property leasing business, actively driving the Group's future sustainable development.

In June 2025, Wenling Sunrise Real Estate Development Co., Ltd.* (溫嶺市旭日投資有限公司), a direct wholly-owned subsidiary of the Company, successfully won the bid for the plot of land located in Qianyangxia Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC with plot number GY100417 and a total site area of approximately 19,271 square meters (the “**Land**”), which was offered for sale at the public auction held by the Wenling City Natural Resources and Planning Bureau* (溫嶺市自然資源和規劃局), at the bid price of RMB52.1 million for the construction of Project Shanhaitianqiao* (山海天嶠). The land use rights of Project Shanhaitianqiao were granted for a term expiring on 3 July 2065, which is a long-term lease. The Group estimates that the floor area of Project Shanhaitianqiao shall be approximately 69,850.02 sq.m., which will be developed into 2 commercial office buildings with 16 storeys and a commercial building with 5 storeys. The Group will invest an aggregate of approximately RMB290.0 million to Project Shanhaitianqiao (including acquisition of the Land) by using internal resources or financing. Project Shanhaitianqiao is mainly developed for commercial and office purposes. A floor area of approximately 35,024.43 sq.m. will be held by the Group for investment and leasing purposes, purposes the remaining floor area of approximately 34,825.59 sq.m. will be saleable upon completion. It is expected that Project Shanhaitianqiao will be completed in the fourth quarter of 2027.

As at 31 December 2025, Project Shanhaitianqiao had invested actual costs of approximately RMB69.6 million and recorded under the properties under development for sales of approximately RMB34.7 million and investment properties measured at fair value of approximately RMB34.9 million.

Cross-border E-commerce Brand Overseas Expansion Project

In 2025, the Group's cross-border e-commerce brand overseas expansion project entered the substantive order conversion phase. The Group established a cross-channel marketing department to systematically advance online and offline business expansion, accelerating the global deployment of its proprietary brand “WENCERL”. By the end of 2025, 11 overseas trademark registrations were completed, with independent website impressions exceeding 22 million and nearly 1,000 qualified inquiries generated. Since the launch of the new project phase in November 2025, the Group secured its first contract order on 24 December 2025, valued at USD 85,300. This marks a milestone breakthrough in the Group's proprietary brand overseas expansion strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

Exhibitions and Events Empowering Business Growth

In 2025, the Group co-hosted the 18th China Measuring and Cutting Tools Exhibition, gathering 341 participating enterprises. The opening day attracted over 10,000 professional visitors, with on-site transactions exceeding RMB 100 million. It also co-hosted the 2025 Wenling Machine Tool & Tool Exhibition, featuring over 600 booths and attracting more than 200 renowned domestic and international brands including Nachi, Mitsubishi, Kyocera, Beijing Jingdiao, and Haideman Machine Tools. Throughout the year, it organized over 10 specialized events including foreign trade expansion summits, operational strategy training, and self-media marketing workshops, empowering more than 400 merchants.

OUTLOOK

Looking ahead to 2026, the global economic recovery will continue to face uncertainties such as geopolitical rivalries and divergent monetary policies among major economies. However, China's manufacturing sector will accelerate its transformation toward high-end, intelligent, and green production. Strategic emerging industries such as new energy, semiconductors, aerospace, and industrial robotics will see explosive growth in demand for ultra-precision machining, intelligent tools systems, and integrated online inspection solutions, opening new growth opportunities for the measuring and cutting tools industry.

Facing this new landscape, Trading Centre will pursue its vision of "building a world-class measuring and cutting tools service platform". Leveraging the "Shanhaitianqiao" project as its strategic fulcrum, and adopting digitalization, branding, and internationalization as its strategic pathways, the centre will continuously drive the Group's sustainable development.

Consolidate Core Competitive Advantages of the Trading Centre. Continuously optimize tenant structure, enhance operational service quality, and explore pathways for smart market development. Leveraging the national-level standardized intellectual property protection market platform, deepen innovation in intellectual property creation, utilization, and protection mechanisms to elevate the market's core competitiveness and brand premium value.

Strengthen the industrial empowerment function of the Science and Technology Innovation Park. Intensify efforts to attract investment and businesses to the park, prioritizing high-end cutting tool manufacturing, intelligent measuring tool R&D, and coating technology application enterprises. Improve production and living facilities within the park.

Cultivate an Industrial Innovation Service Ecosystem. Utilize the integrated industrial innovation service complex for measuring and cutting tools to accelerate the commercialization of research outcomes from doctoral teams, driving breakthroughs in key technologies like advanced coating techniques and super-hard material cutting tools. Collaborate with government, universities, and leading enterprises to establish open innovation platforms, fostering a deeply integrated industrial innovation ecosystem that unites industry, academia, research, application, and finance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Total revenue was stable at approximately RMB68.8 million and approximately 69.0 million for the year ended 31 December 2024 and 2025, respectively, mainly because of the occupancy rates and rents of the properties held by the Group remained stable.

Cost of Sales

Cost of sales increased by approximately 4.7% from approximately RMB13.4 million for the year ended 31 December 2024 to approximately RMB14 million for the year ended 31 December 2025, mainly because the repair and maintenance expenses increased from approximately RMB2.2 million for the year ended 31 December 2024 to approximately RMB2.7 million for the year ended 31 December 2025.

Gross Profit and Gross Profit Margin

Gross profit was stable at approximately RMB55.5 million and approximately RMB55.0 million for the year ended 31 December 2024 and 2025, respectively. The gross profit margin remained at approximately 80.6% and approximately 79.7% for the year ended 31 December 2024 and 2025, respectively.

Valuation Losses on Investment Properties

The valuation loss on the investment properties were approximately RMB24.2 million and approximately 24.4 million for the year ended 31 December 2024 and 2025, respectively. The valuation loss on investment properties is due to the decrease in the comparable market rents and land use rights terms of the properties held by the Group during the years.

Other Net Income

Other net income increased by approximately 40 times from approximately RMB0.1 million for the year ended 31 December 2024 to approximately RMB1.4 million for the year ended 31 December 2025, primarily due to the recognition of compensation of approximately RMB1.1 million received from a construction company related to a dispute over a construction contract during the year ended 31 December 2025, whereas no such income was recorded in the last year.

Administrative Expenses

Administrative expenses increased by approximately 4.6% from approximately RMB9.0 million for the year ended 31 December 2024 to approximately RMB9.4 million for the year ended 31 December 2025, primarily due to an increase in staff costs and depreciation expenses as the Group increased fixed assets during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax

Income tax decreased by approximately 9.2% from approximately RMB5.9 million for the year ended 31 December 2024 to approximately RMB5.4 million for the year ended 31 December 2025. Such decrease was primarily due to (i) an increase in deferred tax of approximately RMB0.3 million for the year ended 31 December 2025 as the credit of deferred tax in relation to the provision for depreciation and amortization decreased and (ii) a decrease in current tax of approximately RMB0.3 million for the year ended 31 December 2025. The effective tax rate decreased from approximately 28.1% for the year ended 31 December 2024 to approximately 24.7% for the year ended 31 December 2025. Such decrease was mainly due to the over-provision of PRC LAT of approximately RMB1.9 million in respect of prior years for the year ended 31 December 2024 as absence of PRC LAT for the year ended 31 December 2025.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the year increased by approximately 8.1% from approximately RMB15.1 million for the year ended 31 December 2024 to approximately RMB16.3 million for the year ended 31 December 2025, and the Group's net profit margin increased from approximately 21.9% for the year ended 31 December 2024 to approximately 23.6% for the year ended 31 December 2025.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are primarily financed by cash generated from operating activities, the proceeds of capital contributions from the Shareholders and the bank borrowings. As at 31 December 2025 and 2024, the Group had cash and cash equivalents of approximately RMB18.9 million and RMB86.4 million, respectively, all of which were denominated in Renminbi. The decrease in cash and cash equivalents is mainly attributing to an increase in capital expenditures and net cash used in operating activities during the year ended 31 December 2025.

Funding and Treasury Policy

The Group monitors its cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group will continue relying on cash flows from operation and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

Foreign Currency Exchange Risk

The transactions of the Group are denominated in RMB and most of the assets and all liabilities are denominated in RMB. The foreign exchange risk that the Group has to bear is low. During the year, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

As at 31 December 2025 and 2024, the Group did not have any bank loan.

As at 31 December 2025, the Group had banking facilities of RMB308,900,000 from two banks, of which the unutilized amount was RMB308,900,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

For the year ended 31 December 2025, the capital expenditure was approximately RMB35.5 million (2024: approximately RMB2.0 million). The capital expenditure incurred for the year ended 31 December 2025 primarily related to the construction of Project Shanhaitianqiao.

Capital Commitments

As at 31 December 2025, the capital commitments of the Group in respect of property, plant and equipment and investment properties contracted amounted to approximately RMB214.9 million (2024: approximately RMB1.0 million).

Contingent Liabilities

As at 31 December 2025, the contingent liabilities of the Group were approximately RMB79.4 million (2024: RMB91.5 million) in relation to the mortgage loan guarantees provided by the Group to the banks in favour of its customers for security to the mortgage loans granted, and the property ownership certificates of the respective properties were still pledged for such mortgage loans and will be released upon certain conditions are satisfied. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group at initial recognition are insignificant and the Directors consider that the possibility of default by the purchasers of the Group's properties is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts as at 31 December 2025 and 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Apart from those disclosed in this report, there were no future plans for material investments or additions of capital assets authorised by the Board as at the date of this report.

PROPERTY HELD FOR INVESTMENT

Summary of our Group's property held for investment as at 31 December 2025 are set out below:

Address	Existing use	Lease term
Science and Technology Innovation Park, Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶺鎮琛山村)	An aggregate of approximately 116,000 sq.m., including a factory floor area of approximately 78,000 sq.m. and involving 13 standard factories and 2 integrated administration buildings	Long-term lease of a term expiring on 27 January 2069
Zhejiang Measuring and Cutting Tools Trading Centre, Qianyangxia Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶺鎮前洋下村)	An aggregate of approximately 74,204.7 sq.m., of which approximately 71,817.5 sq.m. is held for leasing to our tenants for their trading and products displaying purpose and approximately 2,387.2 sq.m, is held for our own offices	Long-term lease of a term expiring on 15 November 2046

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2025.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group had total of 36 employees (2024: 39 employees). For the year ended 31 December 2025, the Group has incurred total staff costs of approximately RMB4.5 million (2024: RMB4.4 million), which remained stable.

The Group believe that its employees are one of the most valuable assets and have greatly contributed to its success. The Group provide training to its employees to enhance their business efficiency and conduct yearly reviews of their performance. The Group believes that these initiatives have contributed to stronger work incentive among the employees. In addition, the salaries of our employees are mainly determined with reference to their seniority and performance, and the total compensation includes salaries, performance-based bonuses and special awards.

Directors and senior management of the Group receives compensation in the form of fees, salaries, allowances, discretionary bonus, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 30 December 2020. The net proceeds from the Company's issue in a total of 20,000,000 new H Shares in the global offering of the Company completed on 30 December 2020 ("**Global Offering**") amounted to approximately HK\$61.9 million (after deducting underwriting commissions and related Listing expenses which equivalent to approximately RMB52.1 million) with the final offer price of HK\$6.25 per H Share. For the period from the listing date to 31 December 2025, the Company has utilised net proceeds from the Global Offering amounting to approximately RMB43.5 million. The Company intends to use the remaining net proceeds of approximately RMB8.5 million in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 11 December 2020 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2025, the Group has applied the net proceeds as follows:

Usage	%	Budgeted	Actual usage	Remaining	Expected
		amount as set out in the Prospectus RMB'000	up to 31 December 2025 RMB'000	balance as at 31 December 2025 RMB'000	
- Finance partly the costs and expenses for the establishment and construction of the Science and Technology Innovation Park	70.0	36,441	36,441	-	
- Finance further development of the Third Floor, including refurbishment and renovation of the Third Floor	20.0	10,412	1,865	8,547	December 2026
- General working capital and other general corporate purposes	10.0	5,205	5,205	-	
	100.0	52,058	43,511	8,547	

As at 31 December 2025, the unused balanced of the net proceeds from the Global Offering of approximately RMB8.5 million was placed into short-term deposits. It is expected that timeline of utilisation of the remaining balance for financing further development of the Third Floor, including refurbishment and renovation of the Third Floor would be utilized by December 2026.

Save as disclosed above, as at the date of this report, the Company does not anticipate any change to its plan on the use of proceeds.

DIRECTORS' REPORT

The Directors hereby presents this directors' report of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company was incorporated in The People's Republic of China (the "PRC") as a joint stock company with limited liability on 14 May 2003. The principal activities of the Group are property leasing, property management services and property developments.

BUSINESS REVIEW

Further discussion and analysis of these activities for the year ended 31 December 2025 and a discussion on the Group's future development are set out in the section headed "Management Discussion and Analysis" on pages 13 to 23 of this annual report.

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OUTLOOK

Please refer to the Chairman's Statement on page 6 and page 18 of the Management Discussion and Analysis section of this annual report.

KEY RISKS AND UNCERTAINTIES

The main activities of the Group are property leasing and property management services. It is exposed to a variety of main risks including (i) risks relating to the property leasing business; (ii) risks relating to the industry; and (iii) risks relating to conducting business in the PRC. Details of the above main risks are as below:

Risks Relating to the Property Leasing Business

The profitability of the Group has declined due to valuation losses of the investment properties, and the prospects are dependent on various factors, including but not limited to the appraisal value of the properties, limited revenue growth, increase in cash outflow in respect of interests for the loan and our ability to cope with the fierce market competition from different market players.

Risks Relating to the Industry

The cyclical nature of the real estate, the manufacturing and the Measuring and Cutting Tools industries and Science and Technology Innovation Park and the macro-economic situation in the PRC and worldwide could adversely affect the results of operations of the Group.

The Group is a Measuring and Cutting Tools trading centre and Science and Technology Innovation Park operator and the principal activity and source of revenue are primarily derived from property leasing business and property management services business through the operation of the Trading Centre. A significant portion of the net profits were also attributable to the valuation losses on the investment property. As such, the results of operations are and will continue to be affected by the cyclical nature of the real estate industry in the PRC. The value of our investment properties, i.e. the Trading Centre and Science and Technology Innovation Park, has been appreciated, also maintained a steady rental rate for our Trading Centre.

Risks Relating to Conducting Business in the PRC

The business operations may be materially and adversely affected by any change in the political, economic and social policies and conditions of Zhejiang Province, the PRC.

The business and results of operations of the Group are subject to the political, economic and social policies and conditions of Zhejiang Province, the PRC, as all of the revenue is derived from the operations in Zhejiang Province, the PRC and the major assets are located in Zhejiang Province, the PRC. The ability to conduct and expand the business operations in Zhejiang Province, the PRC depends on a number of factors that are beyond the control, including macro-economic and other market conditions and credit availability from lending institutions. In order to control inflation and promote economic growth, the PRC Government has introduced certain macro-economic policies, such as imposing commercial bank lending guidelines, which have the effect of restricting lending to certain industries. Some of these macro-economic policies and lending policies may limit the ability to obtain financing, thus reducing the ability to implement the business strategies. There is no assurance that the Zhejiang Provisional Government and the PRC Government as a whole will not introduce more restrictive or onerous policies in the future. Any change in the political, economic and social policies and conditions of Zhejiang Province, the PRC may bring uncertainty to the business operations and may materially and adversely affect the prospects and results of operations.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest and five largest customers for the year ended 31 December 2025 accounted for approximately 9.3% (2024: 9.3%) and 13.4% (31 December 2024: 13.1%), respectively, of the Group's total revenue. Due to the nature of the business of the Group, it does not have any supplier.

To the best of the Directors' knowledge, none of the Directors or their respective close associates, and none of the existing Shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers.

RELATIONSHIPS WITH EMPLOYEES AND CUSTOMERS

Further discussion of the relationship with employees and customers is set out in the section headed "Environmental, Social and Governance Report" on pages 57 to 69 of this annual report.

DIRECTORS' REPORT

FINAL DIVIDEND

Proposal for profit distribution of 2025

Audited profit available for distribution to shareholders of the Company as at 31 December 2025 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB86.4 million.

The Board of Directors of the Company has recommended profit distribution for 2025 of RMB0.12 in cash (before tax) per share as the final dividend based on the number of shares held by shareholders registered as at the close of business on the record date for profit distribution and dividend payment. The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollars. The exchange rate for the dividend calculation in Hong Kong Dollars is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

The Company expects to pay the dividend to holders of Domestic Shares on Monday, 18 May 2026, whereas the expected payment date of final dividend of the Company for 2025 to holders of H shares is Monday, 1 June 2026.

In respect of the Company's distribution of final Dividend to Shareholders whose names appear on the H share register of the Company on Friday, 15 May 2026, the Company will process income tax payable on dividends and profit distributions in accordance with relevant taxation laws and regulations of China. The details are as follow:

1. In connection with overseas non-resident corporate H shareholders, a 10% enterprise income tax to be withheld and paid on behalf of such shareholders by the Company shall apply in accordance with relevant provisions of the "Notice of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-Resident Corporate H shareholders" (Guo Shui Han 2008 No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函2008897號)). Any H shares registered in the name of non-resident corporate H shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident corporate H shareholders, and consequently will be subject to the withholding of the enterprise income tax.
2. Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa 2009 No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發2009124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa 1993 No. 45 (Guo Shui Han 2011 No. 348) (《國家稅務總局關於國稅發199345號文件廢止後有關個人所得稅徵管問題的通知》(國稅函2011348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic non-foreign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

DIVIDEND POLICY

The Company has adopted a dividend policy (the “**Dividend Policy**”) to allow the Shareholders to participate in the Company’s profits whilst retaining adequate reserves for the Group’s future growth.

Determination Mechanism

Subject to the approval of the Shareholders and requirement of the relevant laws, the Company shall pay annual dividends to the Shareholders if the Group is profitable, the market environment is stable and there is no significant investment or commitment made by the Group. The Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to our discretion, taking into consideration the criteria described below. The remaining net profits will be used for the Group’s development and operations. This dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

The Company’s ability to pay dividends will depend upon, among other things, the Group’s current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company’s subsidiaries and associates, as well as any other conditions or factors which the Board deems relevant and having regard to the directors’ fiduciary duties.

Approval and Payment Procedures

Details of the procedures on dividend and other payments of the Company have been set out in article 163 of the articles of association of the Company (the “**Articles of Association**”) posted on the websites of the Company and the Stock Exchange.

Review and Monitoring of this Policy

The form, frequency and amount of dividend payment by the Company are subject to any restriction under the laws of the PRC and the Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2025 is set out as follows:

Class of shares	Number of shares	Proportion (%)
Domestic Shares	60,000,000	75.00
H Shares	20,000,000	25.00
Total	80,000,000	100.00

Details of the movements in share capital of the Company during the year are set out in note 25(c) to the consolidated financial statements.

DIRECTORS' REPORT

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“**AGM**”) will be held on Friday, 8 May 2026. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched to the Shareholders by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 5 May 2026 to Friday, 8 May 2026, both days inclusive, during which period no transfer of H shares of the Company will be registered. The record date for determining the entitlement of the shareholders to attend and vote at the meeting is Friday, 8 May 2026. In order to be eligible to attend and vote at the annual general meeting, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 June 2026, being the business day before the first day of closure of the register of members.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 14 May 2026 to Friday 15, May 2026, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to establish entitlements to the final dividend, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13 May 2026, being the business day before the first day of closure of the register of members. The members of the H shares whose names appear on the H share register of members on Friday, 15 May 2026 will be entitled to receive the final dividend.

ENVIRONMENTAL PROTECTION

The Group uphold the concept of sustainable development, encourages environmental protection and strive to promote its awareness within the Group.

The Company considers the staff, shareholders and potential investors, government authorities, and suppliers as the key stakeholders, and values highly the expectations and opinions from the stakeholders on environment protection. The Company has commenced multi-dimensional risk analysis, identified issues on the environment, society and importance of governance which are the concerns in our own development and of the relevant stakeholders, and an environmental, social and governance report has been published.

For further information regarding our performance on environment, society and governance and compliance with relevant environmental laws and regulations during the current financial year, please refer to the section headed “Environmental, Social and Governance Report” on pages 57 to 69 in this annual report.

The Company has formulated the compliance procedures to ensure compliance with, in particular, the applicable laws, rules and regulations having material effect on it. The relevant employees and the relevant operating entities will be informed of any changes in the applicable laws, rules and regulations from time to time.

RESERVES

As at 31 December 2025, reserves available for distribution of the Company amounted to RMB86.4 million (31 December 2024: RMB81.0 million).

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2025 and up to the date of this annual report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DIRECTORS

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

Executive Directors

Mr. CHEN Xiangbiao (*Chief executive officer*) (appointed on 4 June 2025)

Mr. GUO Jun (appointed on 4 June 2025)

Mr. XU Yi

Mr. PAN Haihong (resigned on 14 April 2025)

Non-executive Directors

Mr. JIN Guoxin (*Chairman of the Board*) (appointed on 4 June 2025)

Mr. WANG Wenming

Mr. CHENG Jinyun

Mr. YE Yunzhi

Independent Non-executive Directors

Mr. XU Wei

Ms. HE Liyun

Mr. WONG Ka Wai

Ms. XU Chunhui (appointed on 4 June 2025)

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 7 to 12 in this annual report.

DIRECTORS' REPORT

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a service contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company, for a term of three (3) years subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules or regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with the Company (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

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 or subsisted at the end of the year ended 31 December 2025.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors and the five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements.

In 2025, the aggregate amount of fees, salaries, allowances, discretionary bonuses, contributions to retirement benefit scheme and other benefits in kind (if applicable) paid by the Company to Supervisors were approximately RMB0.2 million.

The following table sets forth the remuneration of the Supervisors details of:

Year ended 31 December 2025	Directors' fees RMB'000	Salaries and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefit scheme RMB'000	Inducement or Compensation paid for loss of any office in connection with the management of the affairs of any member of the Group RMB'000	Total RMB'000
Supervisors						
Zhou Jiashen	–	84	–	18	–	102
Xie Huihui	–	99	–	19	–	118
Feng Linjun	–	–	–	–	–	–
	–	183	–	37	–	220

The emoluments of the Directors and Supervisors and the salaries of the senior management are determined with reference to salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of the Group.

RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2025 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and Supervisors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year ended 31 December 2025.

DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS

None of the controlling shareholders (as defined under the Listing Rules), Directors and Supervisors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the Group's business.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Details of corporate governance practice adopted by the Company are set out in the section of "Corporate Governance Report" of this annual report.

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

As at 31 December 2025, none of our Directors, Supervisors or the chief executives of the Company has any interests or short positions in any Shares, underlying shares of the Company (the "**Share**") and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 December 2025, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO and based on the information available were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Market Group Company Limited* (溫嶺市市場集團有限公司) (“ Market Group ”)	Beneficial owner <i>(Note 4 & 5)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Qiaoling Investment Development Company Limited* (溫嶺市嶠嶺投資發展有限公司) (“ Qiaoling Investment ”)	Beneficial owner <i>(Note 6)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town People's Government* (溫嶺市溫嶠鎮人民政府) (“ Wenqiao Town People's Government ”)	Interest in controlled corporation <i>(Notes 4 & 6)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Maowei Investment Company Limited* (溫嶺市茅威投資有限公司) (“ Maowei Investment ”)	Beneficial owner <i>(Note 7)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Maoyang Village Share Economic Cooperative* (溫嶺市溫嶠鎮茅洋村股份經濟合作社) (“ Maoyang Village Share Economic Cooperative ”)	Interest in controlled corporation <i>(Note 7)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Maoyang Village Villagers Committee* (溫嶺市溫嶠鎮茅洋村村民委員會) (“ Maoyang Village Committee ”)	Interest in controlled corporation <i>(Notes 4 & 7)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Qianyang Investment Company Limited* (溫嶺市前洋投資有限公司) (“ Qianyang Investment ”)	Beneficial owner <i>(Note 8)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%

DIRECTORS' REPORT

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Wenqiao Town Qianyangxia Village Share Economic Cooperative* (溫嶺市溫嶠鎮前洋下村股份經濟合作社) ("Qianyangxia Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 8)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Qianyangxia Village Villagers Committee* (溫嶺市溫嶠鎮前洋下村村民委員會) ("Qianyangxia Village Committee")	Interest in controlled corporation <i>(Notes 4 & 8)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Shangyu Investment Company Limited* (溫嶺市上宇投資有限公司) ("Shangyu Investment")	Beneficial owner <i>(Note 9)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Shangjie Village Share Economic Cooperative* (溫嶺市溫嶠鎮上街村股份經濟合作社) ("Shangjie Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 9)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Shangjie Village Villagers Committee* (溫嶺市溫嶠鎮上街村村民委員會) ("Shangjie Village Committee")	Interest in controlled corporation <i>(Note 6)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Zhongjie Hede Investment Company Limited* (溫嶺市中街和德投資有限公司) ("Zhongjie Hede Investment")	Beneficial owner <i>(Note 10)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhongjie Village Share Economic Cooperative* (溫嶺市溫嶠鎮中街村股份經濟合作社) ("Zhongjie Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 10)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhongjie Village Villagers Committee* (溫嶺市溫嶠鎮中街村村民委員會) ("Zhongjie Village Committee")	Interest in controlled corporation <i>(Notes 4 & 10)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Botao Investment Company Limited* (溫嶺市博濤投資有限公司) ("Botao Investment")	Beneficial owner <i>(Note 11)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%

DIRECTORS' REPORT

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Wenqiao Town Xuzhai Village Share Economic Cooperative* (溫嶺市溫嶠鎮許宅村股份經濟合作社) ("Xuzhai Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 11)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Xuzhai Village Villagers Committee* (溫嶺市溫嶠鎮許宅村村民委員會) ("Xuzhai Village Committee")	Interest in controlled corporation <i>(Notes 4 & 11)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Zhang Laoqiao Investment Company Limited* (溫嶺市張老橋投資有限公司) ("Zhang Laoqiao Investment")	Beneficial owner <i>(Note 12)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhang Laoqiao Village Share Economic Cooperative* (溫嶺市溫嶠鎮張老橋村股份經濟合作社) ("Zhang Laoqiao Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 12)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhang Laoqiao Village Villagers Committee* (溫嶺市溫嶠鎮張老橋村村民委員會) ("Zhang Laoqiao Village Committee")	Interest in controlled corporation <i>(Notes 4 & 12)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Jiaxing Yuantai Equity Investment Partnership (Limited Partnership)* (嘉興元泰股權投資合夥企業(有限合夥))	Interest in controlled corporation <i>(Note 13)</i>	5,980,000 H Shares (L)	29.90%	7.48%
Hongkong Regan Investment Center Co., Limited* (香港雷根投資中心有限公司)	Beneficial owner <i>(Note 13)</i>	5,980,000 H Shares (L)	29.90%	7.48%
Zhejiang QJmotor Co., Ltd. (浙江錢江摩托股份有限公司)	Beneficial owner	3,275,813 H Shares (L)	16.38%	4.09%
Wanbangde (Hangzhou) Investment and Management Co., Ltd. (萬邦德(杭州)投資管理有限公司)	Beneficial owner	1,605,151 H Shares (L)	8.03%	2.01%
Wenling Longxi Corporate Management Centre (Limited Partnership) (溫嶺龍溪企業管理中心(有限合夥))	Interest in controlled corporation <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%

DIRECTORS' REPORT

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Shimge Pump Industry (Zhejiang) Co., Ltd. (新界泵業(浙江)有限公司)	Interest in controlled corporation <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%
Shimge (HongKong) Co., Limited (新界泵業(香港)有限公司)	Beneficial owner <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%
Zhejiang Zomax Transmission Co., Ltd. (浙江中馬傳動股份有限公司)	Beneficial owner	1,097,395 H Shares (L)	5.49%	1.37%
Han Yi (韓軼)	Beneficial owner	1,024,500 H Shares (L)	5.12%	1.28%

Notes:

- The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or H Shares.
- The calculation is based on the percentage of shareholding in the relevant class of Shares.
- The calculation is based on the total number of 80,000,000 Shares in issue comprising 60,000,000 Domestic Shares and 20,000,000 H Shares as at 31 December 2025.
- Pursuant to the Concert Party Agreement and Concert Party Supplemental Agreement, details of which are set out in paragraph headed "History, Development and Reorganisation – Concert Party Arrangement" of the Prospectus, immediately following completion of the Global Offering, Market Development Service Centre, Wenqiao Town People's Government, Qianyangxia Village Committee, Maoyang Village Committee, Zhongjie Village Committee, Shangjie Village Committee, Xuzhai Village Committee and Zhang Laoqiao Village Committee are acting in concert with one another and each of them is deemed to exercise or control the exercise of 72.75% of the voting power at general meetings of the Company, and is therefore deemed to be interested under the SFO.
- Wenling State Owned Assets Investment holds the entire equity interest of Market Group. Therefore, under the SFO, Wenling State Owned Assets Investment is deemed or taken to be interested in all the Shares which are beneficially owned by Market Group.
- Wenqiao Town People's Government holds the entire equity interest of Qiaoling Investment. Therefore, under the SFO, Wenqiao Town People's Government is deemed or taken to be interested in all the Shares which are beneficially owned by Qiaoling Investment.
- Maoyang Village Committee holds the entire equity interest of Maoyang Village Share Economic Cooperative which holds the entire equity interests of Maowei Investment. Therefore, under the SFO, each of Maoyang Village Committee and Maoyang Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Maowei Investment.

DIRECTORS' REPORT

8. Qianyangxia Village Committee holds the entire equity interest of Qianyangxia Village Share Economic Cooperative which holds the entire equity interests of Qianyang Investment. Therefore, under the SFO, each of Qianyangxia Village Committee and Qianyangxia Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Qianyang Investment.
9. Shangjie Village Committee holds the entire equity interest of Shangjie Village Share Economic Cooperative which holds the entire equity interests of Shangyu Investment. Therefore, under the SFO, each of Shangjie Village Committee and Shangjie Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Shangyu Investment.
10. Zhongjie Village Committee holds the entire equity interest of Zhongjie Village Share Economic Cooperative, which holds the entire equity interests of Zhongjie Hede Investment. Therefore, under the SFO, each of Zhongjie Village Committee and Zhongjie Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Zhongjie Hede Investment.
11. Xuzhai Village Committee holds the entire equity interest of Xuzhai Village Share Economic Cooperative which holds the entire equity interests of Botao Investment. Therefore, under the SFO, each of Xuzhai Village Committee and Xuzhai Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Botao Investment.
12. Zhang Laoqiao Village Committee holds the entire equity interest of Zhang Laoqiao Village Share Economic Cooperative which holds the entire equity interests of Zhang Laoqiao Investment. Therefore, under the SFO, each of Zhang Laoqiao Village Committee and Zhang Laoqiao Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Zhang Laoqiao Investment.
13. Jiaying Yuantai Equity Investment Partnership (Limited Partnership) holds the entire equity interest of Hongkong Regan Investment Center Co., Limited. Therefore, under the SFO, each of Jiaying Yuantai Equity Investment Partnership (Limited Partnership) is deemed or taken to be interested in all the Shares which are beneficially owned by Hongkong Regan Investment Center Co., Limited.
14. Wenling Longxi Corporate Management Centre (Limited Partnership) holds 40% equity interest of Shimge Pump Industry (Zhejiang) Co., Ltd. which holds the entire equity interest of Shimge (Hong Kong) Co., Limited. Therefore, under the SFO, each of Wenling Longxi Corporate Management Centre (Limited Partnership) and Shimge Pump Industry (Zhejiang) Co., Ltd. is deemed or taken to be interested in all the Shares which are beneficially owned by Shimge (HongKong) Co., Limited.

Save as disclosed above, as at the date of this report, no person had interest or short position in the Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2025, the Company did not enter into any equity-linked agreements, nor did any other equity-linked agreements exist.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2025, the share capital of the Company comprised 20,000,000 issued H Shares and 60,000,000 issued Domestic Shares. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 31 December 2025, to the best of the knowledge of the Directors, the Company's public float was approximately 25% of its total Shares in issue, which was above the minimum percentage threshold of 25% applicable to the Company under Rule 19A.28B of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate liability insurance to indemnify the Directors, Supervisors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2025, no claim has been made against the Directors, Supervisors and senior officers.

DIRECTORS' AND SUPERVISORS INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in "Connected Transactions" of this section and "Related Party Transaction" in note 29 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director/Supervisor or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under 31 December 2025 or at any time during the year ended 31 December 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as those disclosed in "Connected Transactions" of this section and "Related Party Transaction" in note 29 to the consolidated financial statements, no Controlling Shareholder or any of its subsidiaries has any contract of significance (including contract of significance for the provision of services) with the Company or its subsidiaries during the year ended 31 December 2025.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2025, the Group did not have any bank loans and other borrowings.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2025, the Group acquired additional property, plant and equipment and investment properties of approximately RMB442,000 and approximately RMB35,063,000, respectively. Details of the movements are set out in note 13 and note 12 to the consolidated financial statements.

DIRECTORS' REPORT

RETIREMENT BENEFIT PLAN

The Group participates in defined contribution retirement benefit plan managed by the PRC local government authorities for the Group's eligible employees in the PRC (the "**Defined Contribution Scheme**"). The Group's contributions to the Defined Contribution Scheme vest fully with the employees upon such contributions being made. There was no forfeited contributions under the Defined Contribution Scheme for the year ended 31 December 2025 and there was no forfeited contribution available for the Group to reduce its existing level of contributions to the Defined Contribution Scheme as at 31 December 2025. Particulars of these retirement plans are set out in note 7(a) to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely Mr. XU Wei, Ms. HE Liyun, Ms. XU Chunhui and Mr. WONG Ka Wai, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

RELATED PARTY TRANSACTION

Connected Transaction

The Group conducted the following connected transactions and continuing connected transactions (other than those exempted from the annual reporting requirements under Chapter 14A of the Listing Rules) during the year ended 31 December 2025.

The Group, as landlord, entered into a factory premise and dormitories lease agreement on 11 January 2023 ("**Lease Agreement**") with Wenling City Qiaoling Investment Development Limited (the "**Qiaoling Investment**"), one of the controlling shareholders and a connected person (as defined under the Listing Rules) of the Company, for a term up to 31 December 2026, pursuant to which the Group leased the Factory buildings with aggregated floor area of 26,818.82 sq.m. and dormitories with aggregated floor area of 4,359.00 sq.m. situated at Sunrise Measuring and Cutting tools Incubation Park, Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC to Qiaoling at the annual rent of approximately RMB6.9 million. The annual caps set for the year ended 31 December 2023, 2024 and 2025 were approximately RMB6.9 million. During the year ended 31 December 2025, a total of RMB6.4 million rental income was received from the Qiaoling Investment under the Lease Agreement.

As a general principle, the monthly rent of the leased properties will be charged on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group's leases to independent third party tenants and shall be on terms which are no more favourable to the Tenants than those offered to independent third party tenants.

Subject to the general principle disclosed above, the Group has taken into account the following factors when determining the monthly rent to be paid to the Group contemplated under the Lease Agreement: (i) attributes of the lease premises; (ii) location of the lease premises; (iii) size of the lease premises; and (iv) rental rate of surrounding properties with similar attributes, including those offered by the Group to independent third party tenants (if any).

Save as disclosed herein, there were no transactions conducted in the year ended 31 December 2025 required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive Directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has reviewed the above-mentioned continuing connected transactions pursuant to rule 14A.56 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that nothing has come to its attention that causes it to believe that such transactions: (i) have not been approved by the Company's board of directors; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provisions of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the annual cap set by the Company.

Related Party Transaction

A summary of the related party transactions which were conducted in the ordinary course of business are set out in note 29 to the consolidated financial statements.

The related party transaction mentioned in note 29(b) to the consolidated financial statements in relation to the rental income from Qiaoling Investment were continuing connected transaction contemplated under the Agreement mentioned the "Connected Transaction" section.

The related party transactions mentioned in note 29(b) to the consolidated financial statements in relation to the rental income from Wenling Gonglian and property management income from associate do not constitute connected transactions of the Company as defined in Chapter 14A of the Listing Rules which is fully exempted connected transactions or continuing connected transactions.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

The Company has received the written confirmation from each of Market Group, Market Development Service Centre, Qiaoling Investment, Wenqiao Town People's Government, Maowei Investment, Maoyang Village Share Economic Cooperative, Maoyang Village Committee, Qianyang Investment, Qianyangxia Village Share Economic Cooperative, Qianyangxia Village Committee, Shangyu Investment, Shangjie Village Share Economic Cooperative, Shangjie Village Committee, Zhongjie Hede Investment, Zhongjie Village Share Economic Cooperative, Zhongjie Village Committee, Botao Investment, Xuzhai Village Share Economic Cooperative, Xuzhai Village Committee, Zhang Laoqiao Investment, Zhang Laoqiao Village Share Economic Cooperative and Zhang Laoqiao Village Committee (the "**Covenantors**") in respect of the compliance with the terms of the non-competition undertakings (the "**Non-competition Undertakings**"), under the deed of non-competition entered into between the Covenantors and the Company. Each of the Covenantors has confirmed and declared that he/it had strictly complied with the Non-competition Undertakings without any breach thereof. All the independent non-executive Directors had reviewed the matters relating to the enforcement of the Non-competition Undertakings and consider that the terms of the Non-competition Undertakings have been complied with by each of the Covenantors for the year ended 31 December 2025.

DIRECTORS' REPORT

EVENT AFTER THE REPORTING PERIOD

Saved as disclosed above, there are no major event, subsequent to 31 December 2025 which would materially affect the Group's operating and financial performance as at the date of this report.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FACTORY PREMISES LEASE AGREEMENT

On 17 March 2026, Wenling Sunrise Real Estate Development Co., Ltd.* (溫嶺市旭日投資有限公司) (as landlord), a wholly-owned subsidiary of the Company, and Wenling City Qiaoling Investment Development Company Limited* (溫嶺市嶠嶺投資發展有限公司) (as tenant), one of the Controlling Shareholders and a connected person of the Company, entered into a factory premises lease agreement (the "**Factory Premises Lease Agreement**") for a term commencing from 1 January 2026 to 31 December 2026. The effective monthly rental rate is RMB13.05 per sq.m., with annual rent of RMB2,686,738.5. As all the applicable percentage ratios under the Listing Rules for the annual caps relating to the Factory Premises Lease Agreement are less than 5% but the highest amount of which exceeds HK\$3,000,000, the continuing connected transactions contemplated under the Factory Premises Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval and circular requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 17 March 2026.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2025 have been audited by KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance.

The Company appointed KPMG as auditor of the Company for the year ended 31 December 2025. KPMG will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Wenling Zhejiang Measuring and Cutting Tools

Trading Centre Company Limited*

溫嶺浙江工量刀具交易中心股份有限公司

JIN Guoxin

Chairman

Wenling City, the PRC, 26 March 2026

* For identification purpose only

SUPERVISORS' REPORT

To the Shareholders,

For the year ended 31 December 2025, the Supervisory Committee of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (the "**Supervisory Committee**"), in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended all the Board meetings, the annual general meeting, and class meetings of the Company. It provided reasonable suggestions and opinions to the Board in respect of the operations and development plans of the Company. It also strictly and effectively monitored and supervised the management of the Company, to ensure that it was in compliance with the PRC laws and the articles of association of the Company, and in the interests of shareholders and employees when making significant policies and decisions.

We have reviewed and agreed to the Directors' report, audited consolidated financial statements to be proposed by the Board for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, chief executive officer and other senior management of the Company had during the year strictly observed their fiduciary duties, acted diligently and exercised their authorities faithfully in the best interests of the Company and the shareholders as a whole. None of the Directors, chief executive officer and members of the senior management had been found to have abused their authorities, damaged the interests of the Company and infringed upon the interests of shareholders and employees of the Company.

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2025 and has great confidence in the future of the Company.

Finally, I, on behalf of the Supervisory Committee, would like to thank all shareholders and staff of the Company for their support and patronage for the Supervisory Committee.

By Order of the Supervisory Committee
**Wenling Zhejiang Measuring and Cutting Tools
Trading Centre Company Limited***
溫嶺浙江工量刃具交易中心股份有限公司

Mr. FENG Lin Jun
Chairman

Wenling City, the PRC, 26 March 2026

CORPORATE GOVERNANCE REPORT

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) set out in Part 2 of Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2025 and up to the date of this annual report, the Company has fully complied with the Code Provisions except for the following deviations.

Pursuant to Code Provisions C.2.1, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. During 1 January 2025 to 14 April 2025, Mr. Pan Haihong (“**Mr. Pan**”), assumed the roles of chief executive officer of the Company and the chairman of the Board. As a result, the Company did not have a separate chairman and chief executive officer and Mr. Pan assumed both roles. After Mr. Pan’s resignation as an executive Director, chief executive officer of the Company and the chairman of the Board on 14 April 2025, Mr. Jin Guoxin was appointed as non-executive Director and the chairman of the Board and Mr. Chen Xiangbiao was appointed as executive Director and chief executive office on 6 June 2025. Accordingly, the Company has complied with the requirement under the Code Provisions C.2.1.

Pursuant to the Rule 3.05 of the Listing Rules, the Company should appoint two authorised representatives. As Mr. Pan resigned as an executive Director and an authorised representative on 14 April 2025, the Company has only one authorised representative. On 15 April 2025, Mr. Wang Wenming (“**Mr. Wang**”), a non-executive Director, has been appointed as an authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules. Following the appointment of Mr. Wang, two authorised representatives under Rule 3.05 of the Listing Rules have been appointed. Accordingly, the Company has complied with the requirement under Rule 3.05 of the Listing Rules.

Save as disclosed, the Company strictly complied with the CG Code. The Directors review the corporate governance policies and the compliance with the CG Code for each financial year. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, being the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”), and the nomination committee (the “**Nomination Committee**”) (each a “**Board Committee**” and collectively the “**Board Committees**”), to oversee different areas of the Company’s affairs. The Board has delegated the authority for day-to-day management and operation of the Group to the senior management of the Group. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors:

Mr. CHEN Xiangbiao (*Chief executive officer*) (appointed on 4 June 2025)

Mr. GUO Jun (appointed on 4 June 2025)

Mr. XU Yi

Mr. PAN Haihong (resigned on 14 April 2025)

Non-executive Directors:

Mr. JIN Guoxin (*Chairman of the Board*) (appointed on 4 June 2025)
Mr. WANG Wenming
Mr. CHENG Jinyun
Mr. YE Yunzhi

Independent Non-executive Directors:

Mr. XU Wei
Ms. HE Liyun
Mr. WONG Ka Wai
Ms. XU Chunhui (appointed on 4 June 2025)

Each of Mr. CHEN Xiangbiao, Mr. GUO Jun, Mr. JIN Guoxin and Ms. XU Chunhui, who was appointed to the Board on 4 June 2025, had obtained legal advice from DeHeng Law Offices (Hong Kong) LLP as required under Rule 3.09D of the Listing Rules on 29 May 2025 and had confirmed understanding of the obligations as a Director of the Company.

Ms. HE Liyun has obtained the legal advice on 29 December 2024 referred to in Rule 3.09D of the Listing Rules and has confirmed that she understood her obligations as a director of the Company.

The biographical details of each Director are set out in the section headed “Biographical Details of Directors, Supervisors and Senior Management” on pages 7 to 12 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors is available on the Company’s website.

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 4 June 2025. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months’ written notice to the other.

Each of the Non-executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as non-executive Directors for an initial term of three years with effect from 4 June 2025. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months’ written notice to the other.

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from 4 June 2026 which may be terminated by either party by giving not less than three months’ written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months’ written notice to the other.

There is no financial, business or other material/relevant relationship among the members of the Board.

The functions and duties of the Board include but are not limited to: convening Shareholders’ general meetings and reporting the Board’s work at the Shareholders’ general meetings; implementing the resolutions passed at the Shareholders’ general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association.

CORPORATE GOVERNANCE REPORT

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance and code of conduct of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with reasonable care, skill and diligence, in pursuit of the development of the Company. Each of the newly appointed Director will receive an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

Training sessions have been provided to the Directors before the Listing to explain the on-going obligations and responsibilities as a director of a Hong Kong listed company. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

Name of Directors	Types of training	
	Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
Executive Directors:		
Mr. CHEN Xiangbiao	✓	✓
Mr. GUO Jun	✓	✓
Mr. XU Yi	✓	✓
Non-executive Directors:		
Mr. Jin Guoxin	✓	✓
Mr. WANG Wenming	✓	✓
Mr. CHENG Jinyun	✓	✓
Mr. YE Yunzhi	✓	✓
Independent Non-executive Directors:		
Mr. XU Wei	✓	✓
Ms. HE Liyun	✓	✓
Ms. Xu Chunhui	✓	✓
Mr. WONG Ka Wai	✓	✓

Each of the Directors had participated in continuous professional development as required under Rules 3.09F and 3.09G of the Listing Rules during 2025. Each of Mr. CHEN Xiangbiao, Mr. GUO Jun, Mr. JIN Guoxin and Ms. XU Chunhui, who was appointed to the Board on 4 June 2025, have completed no less than 24 hours of the continuous professional development and met the continuous professional development requirement under Rule 3.09H of the Listing Rules.

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, namely, Mr. XU Wei, Ms. HE Liyun, Ms. XU Chunhui and Mr. WONG Ka Wai, representing one-third of the Board. One of the independent non-executive Directors, Mr. WONG Ka Wai, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees and Supervisory Committee

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee and the Remuneration Committee are respectively available on the websites of the Company and the Stock Exchange.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

The Supervisory Committee consists of three Supervisors, comprising one representative of employees (namely Mr. XIE Huihui) and two internal supervisors (namely Mr. Feng Lin Jun and Mr. Zhou Jiashen). Mr. Feng Lin Jun is the chairman of the Supervisory Committee. Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Supervisory Committee may exercise its powers: (i) to review the Company's financial position; (ii) to supervise the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated any laws, regulations, the Articles of Association or Shareholders' resolutions; (iii) when the acts of a Director or senior management personnel are detrimental to the Company's interests, to require the director and senior management to correct these acts; (iv) to propose the convening of extraordinary Shareholders' general meetings and to convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over Shareholders' general meetings under the PRC Company Law; (v) to submit proposals to the Shareholders' general meetings; (vi) to bring actions against Directors and senior management pursuant to the relevant provisions of the PRC Company Law; and (vii) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at Board meetings and make inquiries or proposals in respect of the resolutions of the Board.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) on 7 December 2020 with written terms of reference in compliance with Code D.3 of the Corporate Governance as set out in Appendix C1 to the Listing Rules. The primary duties of our Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the consolidated financial statements and material advice in respect of financial reporting, oversee the internal control and risk management systems of our Company.

At present, the Audit Committee comprises all independent non-executive Directors, namely Mr. WONG Ka Wai, Mr. XU Wei and Ms. HE Liyun. Mr. WONG Ka Wai is the chairman of the Audit Committee.

During the year ended 31 December 2025, the Audit Committee held 2 meetings. The Audit Committee has reviewed, among other things, the consolidated financial statements of the Group for the year ended 31 December 2025 and the interim results for the six months ended 30 June 2024, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and their effectiveness, and the overall effectiveness of the Company’s internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Remuneration Committee

The Company has established a remuneration committee (the “**Remuneration Committee**”) on 7 December 2020 with written terms of reference in compliance with Code E.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary functions of our Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, Supervisors and senior management of the Group and review performance based-remuneration.

At present, the Remuneration Committee comprises one executive Director, namely Mr. CHEN Xiangbiao upon the resignation of Mr. PAN Haihong on 4 June 2025, and two independent non-executive Directors namely Ms. HE Liyun and Ms. Xu Chunhui upon retirement of Mr. WONG Ka Wai as chairman of the Remuneration Committee on 4 June 2025. Ms. HE Liyun is the chairlady of the Remuneration Committee.

During the year ended 31 December 2025, the Remuneration Committee held 2 meetings. The Remuneration Committee has reviewed and determined, with delegated responsibility, the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, and the respective responsibilities of the Directors, Supervisors and senior management and the performance of the Company.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2025 are set out in note 9 to the consolidated financial statements and details of the remuneration of each of the Supervisors for the year ended 31 December 2025 are set out in page 30 in this report.

The remuneration of the senior management by band for the year ended 31 December 2025 is as follows:

Remuneration bands (RMB)	Number of individuals
0–1,000,000	3

Nomination Committee

The Company has established a Nomination Committee on 7 December 2020 with written terms of reference in compliance with Code B.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) and diversity of the Board and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of independent non-executive Directors; to identify individuals suitably qualified as potential Board members and to select or make recommendations to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of the Directors.

At present, the Nomination Committee comprises one non-executive Director, namely Mr. JIN Guoxin upon the resignation of Mr. PAN Haihong on 4 June 2025, and two independent non-executive Directors namely Mr. XU Wei and Ms. Xu Chunhui upon the retirement of Ms. HE Liyun as member of the Nomination Committee on 4 June 2025. Mr. JIN Guoxin is the chairman of the Nomination Committee.

During the year ended 31 December 2025, the Nomination Committee held 2 meetings. The Nomination Committee has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors, each Director's time commitment and contribution to the Board, each Director's ability to discharge his or her responsibilities, and appointments of executive and independent non-executive Directors.

The nomination committee considered that each Director gave sufficient time and attention to the affairs of the Company and undertook his or her responsibilities effectively during 2025, with regard to the following:

- Directors' skills and experiences;
- each Director's role and positions at the Company and its subsidiaries, as well as his or her external directorships or offices in other companies or organisations and/or other major commitments; and
- each Director's attendance record at the board and committee meetings of the Company (see the Board Meetings section of the Corporate Governance Report) and its subsidiaries during the year.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Board has adopted a nomination policy on 1 January 2019 (the “**Nomination Policy**”) which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

1. Selection Criteria

- (a) The Nomination Committee is authorized by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer.
- (b) In assessing the suitability of a proposed candidate, the Nomination Committee may make reference to certain criteria such as the Company’s need, the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in trading centre operation industry and measuring and cutting tools industry and/or other professional areas, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of independent non-executive director, the independence requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), and seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.
- (c) Where necessary, the Nomination Committee should seek independent professional advice to access a wider range of potential candidates.
- (d) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.
- (e) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board, setting out clearly the expectations of him/her in terms of time commitment, committee service and involvement outside board meetings.

2. Nomination Procedures

The secretary of the Nomination Committee shall invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members.

Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board may revoke or terminate any of the appointment of a managing director, joint managing director or deputy managing director in accordance with Article 103 of the articles of association of the Company.

A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director of the Company" posted on the website of the Company.

3. Review and Monitoring of this Policy

- (a) The Nomination Committee shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and the diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.
- (b) The Nomination Committee shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.
- (c) The Nomination Committee shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

4. Board Diversity Policy

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) setting out the approach to achieve diversity on the Board. The Nomination Committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. While the Board recognises that gender diversity at the Board can be improved, given its current composition of single gender Directors, the principle of Director’s appointments will be based on meritocracy, and candidates will be considered against objective criteria, taking into account factors based on the own business model and special needs from time to time, and with due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management. In recognising the importance of gender diversity, the Company is committed to providing career development opportunities for female staff and to engaging more resources in training the female staff with an aim to promoting them to the position of senior management or Director. The Company will also continue to recruit female talents based on the recruitment policy and with reference to the Board Diversity Policy as a whole.

To ensure gender diversity of the Board, the Nomination Committee will continue and from time to time identify suitable candidates of both genders to the Board to be appointed as Directors. To allow the Shareholders to be able to judge whether board diversity is achieved, we will provide the Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of the Company.

The Nomination Committee will review the Board Diversity Policy, assess its effectiveness and, where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee considered that an appropriate balance of diversity perspective of the Board is maintained during the year ended 31 December 2025. Based on the review by the Nomination Committee, the Board considered that the Company has achieved the measurable objectives set for implementing the board diversity policy for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SKILLS AND EXPERIENCE

The following table outlines the collective expertise and experience of the board:

	Leadership & strategy	People management	Industry and market knowledge	Research and Higher Education	Accounting professionals	Legal professionals	Tax and finance management
Executive Directors							
Mr. CHEN Xiangbiao (appointed on 4 June 2025)	•	•	•				
Mr. GUO Jun (appointed on 4 June 2025)	•	•	•				
Mr. XU Yi	•	•	•				
Mr. PAN Haihong (resigned on 14 April 2025)	•	•	•				
Non-executive Directors							
Mr. JIN Guoxin (appointed on 4 June 2025)	•	•	•				
Mr. WANG Wenming	•	•	•				
Mr. CHENG Jinyun	•	•	•				
Mr. YE Yunzhi	•	•	•				
Independent Non-executive Directors							
Mr. XU Wei	•	•				•	
Ms. HE Liyun	•	•	•		•		•
Mr. WONG Ka Wai	•	•	•		•		•
Ms. XU Chunhui (appointed on 4 June 2025)	•	•		•			

The current Board composition reflects a balanced mix of skills including leadership and strategy, people management, industry and market knowledge, research and higher education, accounting professionals, legal professionals and tax and finance management. This diverse blend of professional backgrounds, experiences and perspectives supports the purpose, strategic priorities and values of the Company, while reinforcing a strong governance culture. The Board is satisfied that it possesses the appropriate mix of skills, experience and diversity to support the strategic direction and governance needs of the Company.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc, as recommended by the Audit Committee from time to time. This corporate governance report has been reviewed by the Board in discharge of its corporate governance functions in compliance with the Code Provision A.2 of the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS

The attendance record of each of the current Directors at the Board meetings, committees meetings and the general meetings of the Company held during the year ended 31 December 2025 is set out in the table below. The Directors did not authorise any alternate Director to attend Board or Board Committee meetings.

Name of Directors	Attendance/Number of Meetings				General Meeting
	Audit Committee	Remuneration Committee	Nomination Committee	Board	
Mr. CHEN Xiangbiao [#]	–	–	–	3/4	–
Mr. Guo Jun [#]	–	–	–	3/4	–
Mr. XU Yi	–	–	–	4/4	1/1
Mr. PAN Haihong [*]	–	1/2	1/2	1/4	–
Mr. WANG Wenming	–	–	–	4/4	1/1
Mr. CHENG Jinyun	–	–	–	4/4	1/1
Mr. YE Yunzhi	–	–	–	4/4	1/1
Mr. XU Wei	2/2	–	2/2	4/4	1/1
Ms. HE Liyun	2/2	2/2	2/2	4/4	1/1
Ms. Xu Chunhui [#]	–	–	–	3/4	–
Mr. WONG Ka Wai	2/2	2/2	–	4/4	1/1

* Resigned on 14 April 2025

[#] Appointed on 4 June 2025

BOARD MEETINGS

Meetings of the Board shall be held regularly at least 4 times each year and shall be convened by the chairman of the Board. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other directors shall exercise their power as directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Questions arising at any meetings of the Board of Directors shall be determined by a majority of votes. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

During the year ended 31 December 2025, there were 4 Board meetings held and all Directors attended the meetings that they were required to attend.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Company’s code of conduct regarding Directors’ and Supervisors’ securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2025 and up to the date of this report.

WORKFORCE DIVERSITY

The Company also considers relevant factors in the recruitment and selection of key management and other personnel, and strives to maintain gender diversity. As at 31 December 2025, the employee (excluding senior management) male-to-female ratio was 2:1. For details, please refer to the Environmental, Social and Governance Report of the Company. The Company will continue to maintain gender diversity among all its staff as the goal and review its policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

COMPANY SECRETARY

The Directors have access to the services of the company secretary to ensure that the Board procedures are followed.

As at the date of this report, the company secretary of the Company is Mr. Xu Yi ("**Mr. Xu**"). Mr. Xu joined the Company and acts as a person-in-charge in office from September 2016 to April 2018, and has been appointed as a personnel of information disclosure of our Company since April 2018 and a company secretary of the Company since August 2018. For more details of Mr. Xu, please see the section headed "Biographical Details of the Directors, Supervisors and Senior Management".

In compliance with Rule 3.29 of the Listing Rules, Mr. Xu have undertaken no less than 15 hours of relevant professional training for the year ended 31 December 2025.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

CORPORATE GOVERNANCE REPORT

Internal Controls and Risk Management

The Board acknowledges its responsibility for the risk-management and internal control system and reviewing their effectiveness.

The Board has put in place a set of internal control and risk management protocols to address various operational, financial, legal and market risks identified in relation to our operations, including but not limited to procurement and sales management, inventory management, research and development management, credit risk, liquidity risk, foreign exchange risk, human resources risk management, and various other financial and operational control and monitoring procedures. The risk management protocols and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in our operations. The Board of Directors has the general power to manage our operations and the is responsible for the risk management and internal control systems and reviewing their effectiveness. After due consideration, our Directors are of the view that our current risk management and internal control systems are adequate and effective.

The management of the Company has established a set of comprehensive structure, standards and procedures in areas of operational, financial, legal and market risks for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and a sound cash management system; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Board reviews the risk management and internal controls annually.

Also, the Company has an internal audit function to carry out the analysis and independent appraisal of the effectiveness of the Group's risk management, internal control systems and perform an internal audit procedure which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2025. The assessment report was reviewed by the Audit Committee and the Board. The Board has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems and the internal audit function for the year ended 31 December 2025.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, officers and relevant employees in handling confidential information and monitoring information disclosure.

External Auditor's Remuneration

KPMG has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditor.

For the year ended 31 December 2025, the fees payable to KPMG in respect of its annual audit services provided to the Company was RMB1 million. Except for audit service fee, there is no other fee payable to KPMG.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

The Directors acknowledge their responsibility for preparing the accounts of the Group.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting, are set out in the section headed "Independent Auditor's Report" in this annual report.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Extraordinary general meetings may be convened by Directors on requisition of one or more shareholders holding, at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Secretary of the Company by mail to Suite No. 11B, 22/F, Skyline Tower, No. 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders and investors of the Company may send written enquiries to the Company by mail to Suite No. 11B, 22/F, Skyline Tower, No. 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or email enquiry to enquiry@wenlingworking.com.

Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders. The Company has established a shareholders communication policy with a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at <http://cnglj.com> and the Stock Exchange. The annual general meetings provides a forum for the shareholders to make comments and exchange views with the Directors and senior management. The Board has reviewed the shareholder communication policy and confirmed its effectiveness.

Constitutional Documents

The current Articles of Association were approved and adopted with effect from the AGM held on 10 May 2024. As at the date of this report, no change has been made to the Articles of Association after the AGM held on 10 May 2024.

The Articles of Association are available on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) of the Group for the year ended 31 December 2025, which outlines the principles and sustainably philosophy of the Group in fulfilling its corporate social responsibility (“**CSR**”) and illustrates the relationship between the Group and its major stakeholders with a vision and commitments for its CSR.

The Board has the overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management will regularly report the relevant state to the Board.

In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues concern the stakeholders most. Therefore, the Group defines the stakeholders as people who affect our business or who are affected by our business. In the daily business, the Group actively exchanges information with the stakeholders through the transparent platform while the Group is devoted to continuous improvement of the communication system. In addition, the Group is committed to maintaining a long-term partnership with the stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is dedicated to create a sustainable growth for the benefits of all our stakeholders.

During the year ended 31 December 2025 (the “**Reporting Period**”), the Group continued to improve its performance in fulfilling its CSR through diversified measures. The ESG report provides details of the Company’s policies and practices in two aspects namely environmental and social for the Reporting Period.

ESG MANAGEMENT APPROACH

The Group integrates ESG elements in our businesses as we move towards a sustainable future. The Group continues to strengthen the ESG governance to facilitate effective management across our business portfolios. The Group is establishing a designated ESG working group for formulating ESG strategies, monitoring ESG performance and optimizing ESG disclosure.

SCOPE OF THE ESG REPORT

This report covered the overall environmental and social performance of the two subsidiaries of the Group, namely Wenling Measuring and Cutting Tools Network Co., Ltd.* (溫嶺工量刃具網有限公司) and Wenling Sunrise Real Estate Development Co., Ltd.* (溫嶺市旭日投資有限公司), further details of which are set out in note 16 to the consolidated financial statements during the year ended 31 December 2025. The Group will constantly update its recent business status and consider further expansion of the reporting scope in the future to ensure a more complete overview and presentation of the Group’s ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

Materiality: The Group ensures that ESG issues discussed in this Report are sufficiently important and material to investors and stakeholders including but not limited to shareholders, governments, employees, clients, suppliers and communities (the “**Stakeholders**”). The Board and the management are mainly responsible for identification of key ESG factors on the basis of the feedback from the Stakeholders.

Quantitative: The Group regularly collects key performance indicators (“**KPI**”) required by the ESG Reporting guide and follows up on the Group’s performance in relevant aspects to optimize and improve the disclosure of KPIs. Where applicable, the Group compares data for each year and discusses relevant trends and impacts.

Consistency: Methodologies and key performance indicators are used and calculated in a consistent approach. If there are any changes in consistency that may affect a meaningful comparison details would be disclosed.

REPORTING FRAMEWORK

The Group has prepared the ESG report pursuant to the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix C2 to the Listing Rules. The ESG Report adhere to the reporting principles of the ESG Reporting Guide, and complies with the “Comply or Explain” provisions therein.

ACCESS OF THE ESG REPORT

The ESG report is released in both printed and online versions. The online version is available on the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (<http://cnglj.com>).

This report has both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail.

CONTACT INFORMATION

We highly appreciate and welcome your feedback and comment on the ESG Report so that we may meet the stakeholder’s interests and for our sustainability initiatives. For any enquires or recommendations, please send the written enquiries to us at Suite No. 11B, 22/F, Skyline Tower, No. 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Communication with stakeholders is very important to the Group. The Group has identified the key stakeholders, including shareholders, government and regulatory authorities, employees, business partners, the public and the community.

Major stakeholders	Channels of Engagement or Communication	Expectations
Shareholders	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Annual report and interim report • Announcements and circulars • Company's website • Meeting with investors 	<ul style="list-style-type: none"> • Return on investment • Information disclosure and transparency • Protection of shareholders' rights and fair treatment of shareholders
Government and regulatory authorities	<ul style="list-style-type: none"> • Policy guidance • Response to public consultation in writing • Meeting 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Implementation of relevant regulatory policies, such as production safety, environmental protection and social responsibility • Proper tax payment
Employees	<ul style="list-style-type: none"> • Regular meetings and training • Performance assessment • Staff newsletters and broadcasts • Labour union 	<ul style="list-style-type: none"> • Salary and welfare • Safe working environment • Fair career development opportunities
Customers	<ul style="list-style-type: none"> • Regular meetings • Site visit • Exhibition • Email 	<ul style="list-style-type: none"> • High quality products and services • Group reputation and brand image
Business partners	<ul style="list-style-type: none"> • Business partner meetings • Site visit • Email • Tendering process • Purchase review 	<ul style="list-style-type: none"> • Long-term partnership • Win-win cooperation • Fair purchase • Timely payment
The public and the community	<ul style="list-style-type: none"> • Site visit • Email • public newsletters and broadcasts 	<ul style="list-style-type: none"> • Volunteering • Community visit • Donation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

The Company is subject to environmental laws and regulations in the PRC where our businesses operate.

The Company considers the protection of the environment to be important and fully committed to complying with all applicable requirements under the PRC environmental laws and regulations. The Company confirmed that we are in compliance with the relevant environmental protection laws and regulations during the Reporting Period. If the Company fails to comply with present or future laws and regulations, the Company would be subject to fines, suspension of business or cessation of operations.

As mentioned above, the Group generally bear a low impact on emission except electricity consumption which is our major source of greenhouse gas (“GHG”) emission and energy footprint. Despite that, the Group has strived to achieve environmental sustainability and has formulated relevant rules and regulations for a sound and effective management of energy consumption, emission, and use of resources as well as discharge of domestic waste and sewage and other pollutants, as highlighted below:

- comply with applicable environmental protection laws and regulations;
- define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- improve continuously the ESG management system and maintain rigorous standards;
- promote environmental awareness among the workforce with regular communication; and
- communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

During the year ended 31 December 2025, the Group complied with applicable environmental protection laws and regulations in relation to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

2030 Environmental Targets

To support global efforts to address climate change and to facilitate the assessment of the effectiveness of the Group’s strategies and measures to mitigate the impacts of climate change, environmental objectives are set out at the group level as follows:

The target of reducing emission intensity by 2030, using 2021/2022 as a base year:

Electricity consumption	Water consumption	Non-hazardous waste	Greenhouse gas emissions
↓ 5%	↓ 5%	↓ 5%	↓ 5%

These targets will guide the Group’s business strategy. The steps taken to achieve these goals are detailed below in each corresponding section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Conservation and Emission Reduction

Reducing energy consumption and improving energy efficiency are keys to slowing down global climate change, and therefore the Group strives to improve its energy saving performance on operation.

Wastes Control

As the Group conducts property leasing, there is no significant hazardous waste produced during the ordinary course of business operations. On the other hand, the major non-hazardous waste produced results from the paper consumption for administrative work, the total paper used in the year ended 31 December 2025 was 0.1 tons (2024: 0.1 tons). Therefore, no other data regarding hazardous and non-hazardous waste were recorded during the year ended 31 December 2024 and 2025. The Group will continue its endeavor to reduce paper consumption by encouraging employee to restraining printing by necessary and by leveraging computer and other devices.

Greenhouse Gas Emissions

During the course of the Group's operations, GHG emissions are indirectly generated from the usage of electricity consumption. The following table set forth the summary of GHG emissions performance of the Group during the year ended 31 December 2025.

	2025		2024	
	Total emissions (tCO ₂ e)	Intensity (Note 2) (tCO ₂ e/ employee)	Total emissions (tCO ₂ e)	Intensity (Note 2) (tCO ₂ e/ employee)
Indirect GHG emissions Electricity consumption	2,649.56	73.60	1,988.38	50.98

Notes:

1. Combined margin emission factor of 0.792 tCO₂eq./MWh was used for electricity consumed the PRC; and
2. As at 31 December 2025, the Group had 36 employees in total. The data is also used for calculating other intensity data.

Power Consumption Control

The main power consumed by the Group is electricity. The Group adheres to the principle of energy conservation and environmental protection to reduce the power consumption. The Group uses of energy-efficient lighting and has formulated a guideline on the use of air conditioners.

Water Consumption Control

The Group treasures water resources and is committed to controlling water consumption and avoiding wastage, in order to encourage staff to save water, the Group has put up signs in offices to remind employees to reduce water consumption. The Group has no issue in sourcing water that is fit for purpose.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental performance

For our general daily operation, the environmental performance of “Use of Resources” during the reporting period are shown as below.

		2025		2024	
	Unit	Total	Intensity (per employee)	Total	Intensity (per employee)
Electricity	MWH	3,345.4	92.9	2,510.6	64.4
Water	ton	80,377.0	2,232.7	66,548	1,706.4

Packaging Materials

Due to the nature of the Group’s business, the Group does not produce final products. Therefore, the Group does not consume packaging materials.

The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

Economical Use of Resources

The Group strictly complies with the requirements of Energy Conservation Law of the PRC and has formulated rules in relation to fostering awareness of water and electricity conservation among all staff and turning off lights, faucets, air conditioners and computers, etc. when the use of them is unnecessary to reduce the consumption of energy.

The Environment and Natural Resources

Due to the nature of the business, its daily operation posed no significant adverse impact on the environment.

The Group believes that a corporation has a responsibility, which is imperative, in promoting the sustainable development of environment. In this connection, the Group formulated environmental principles correspondingly to ensure the effective implementation of various measures. In production and operation activities, increased use of energy-saving facilities and reduced energy consumption to mitigate or avoid the impact of wasted water, exhaust gas, greenhouse gas, noise and hazardous and non-hazardous waste on the environment; encouraged the staffs to raise environment protection awareness and to acquire knowledge and skills related to environment protection. The Group strictly complied with national laws, regulations and policies, such as Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People’s Republic of China on Prevention and Control of Water Pollution and Hazardous Waste Pollution Prevention Technology Policy. There were no cases of non-compliance in relation to emissions and the environment within the reporting scope during the year ended 31 December 2024 and 2025. Looking ahead, we will continuously assess its environment risks so as to formulate appropriate response measures and regularly review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

Climate change is among the most pressing global challenges of our time. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations.

To minimize life, property and financial losses, precautionary measures on flexible working arrangement have been taken by the Group under different extreme weather scenarios of extreme heat and flooding.

Though climate change and aforesaid extreme weather conditions do not directly impose significant threat to the Group's business operations, the effects of global climate change harm the wellbeing and stability of countries and people on earth. However, we will continue to monitor the climate-related risks and implement relevant measures to minimize the potential impact of climate change.

SOCIAL

Employees

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, has a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and the management are reasonable and competitive in the market and the Group believes that its long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of the employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, the Group provides regular training to our employees. Besides these, the Group has formulated detailed regulations in its employee manual with respect to compensation, dismissal, promotion, working hours, vacations and other aspects.

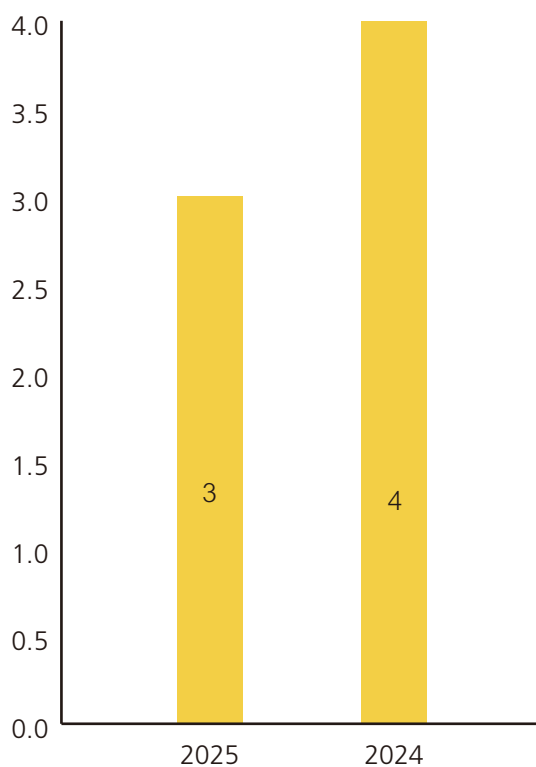
The Group mainly recruits employees through recruitment fairs and on-campus recruitment. As at 31 December 2025, we had a total of 36 employees, all of whom were based in the headquarters in the PRC. The following table sets forth the number and breakdown of our full-time employees by function as at 31 December 2025:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Function	Number of employees	
	2025	2024
Senior management	3	4
Human resources and internal audit	5	4
Finance	3	3
Information management	4	3
Retail and tenancy management	21	25
Total	36	39

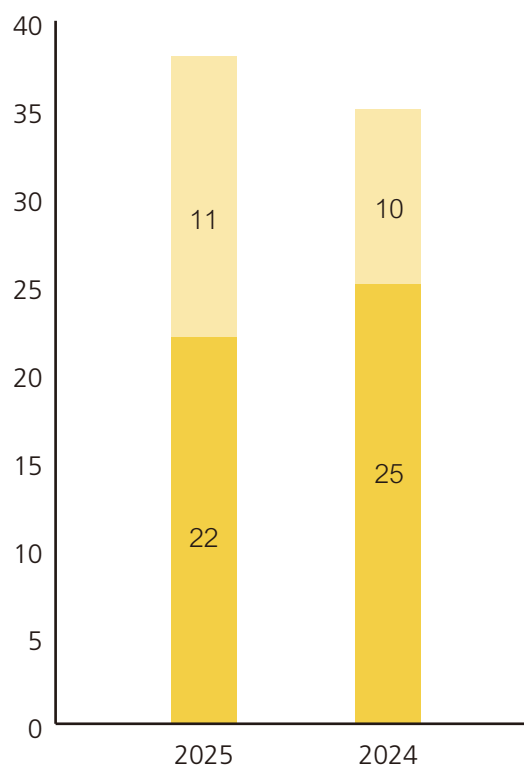
Employment statistics by gender, age and education level

Senior management by gender



■ Number of males
■ Number of females

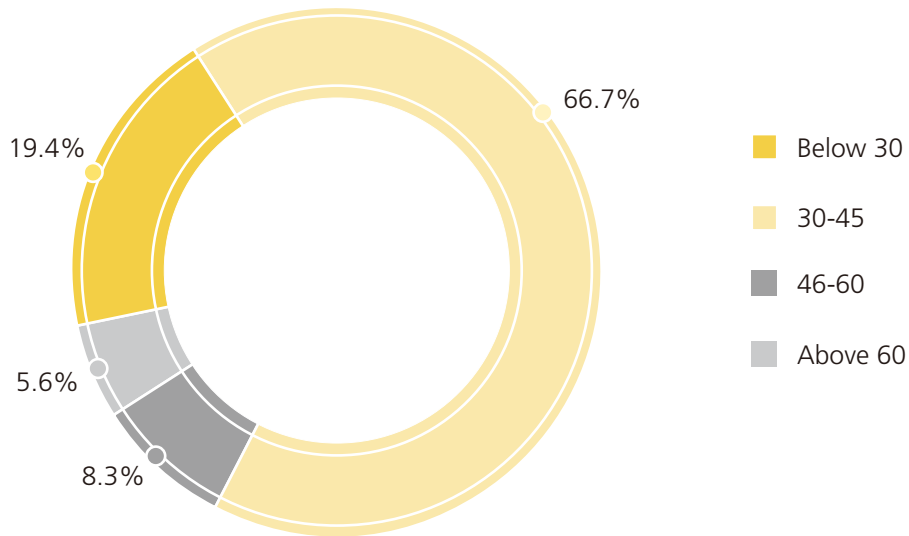
The workforce (excluding senior management) by gender



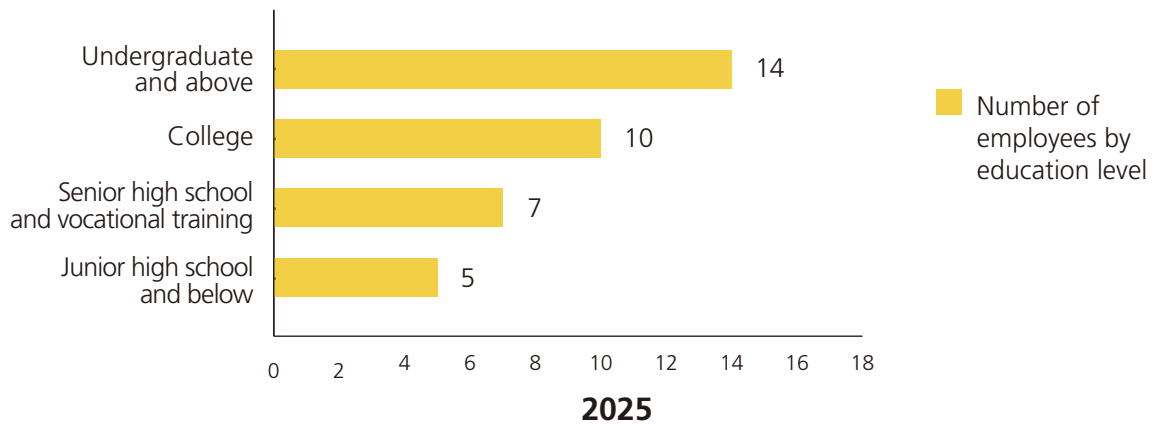
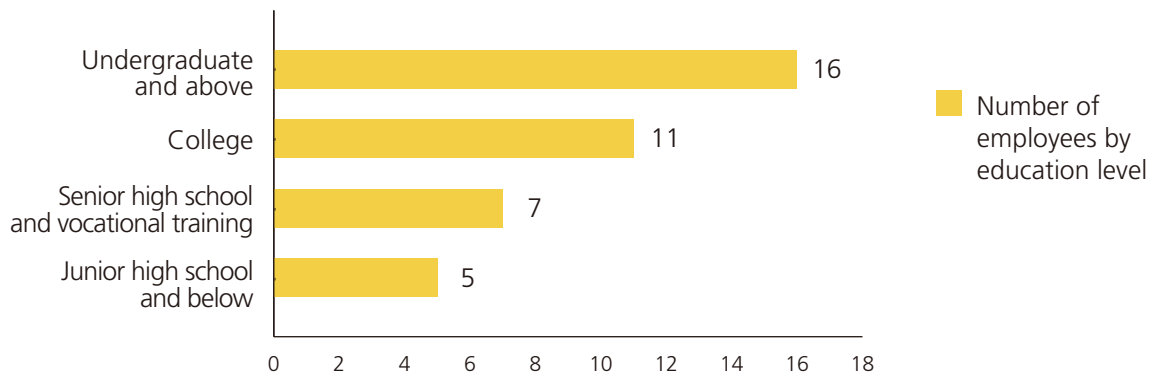
■ Number of males
■ Number of females

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Distribution of employees by age



Distribution of employees by education level



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Benefits

The remuneration of our employees includes basic salary and performance-based monthly and annual bonuses. The Group makes contributions for our employees in relation to the mandatory social security funds, including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC.

For the year ended 31 December 2025, 7 employees resigned, no employee retired (2024: 4 and nil).

OCCUPATIONAL HEALTH AND SAFETY

Safety Management System

The Group is subject to various production safety rules and regulations in the PRC.

Our operations are subject to regulation and monitoring by local work safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations.

We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations. Our work safety policies set forth overall principles as well as procedures of internal inspections of work safety-related matters. In order to address potential safety risks and ensure timely and efficient responses to safety incidents, our work safety policies also provide a detailed system of recording and handling accidents, where (i) safety incidents are categorised into three grades, each necessitating a corresponding level of emergency responses; and (ii) in addition to internal real-time and post-accident records and analyses, timely reports would be made to local work safety authorities and any other relevant authorities. We also provide work safety-related training to our employees with a view to arousing their awareness of occupational safety and equipping them with the requisite knowledge and skills to handle emergency situations. During the Reporting Period, we had complied with the applicable work safety-related regulations of the PRC in all material aspects.

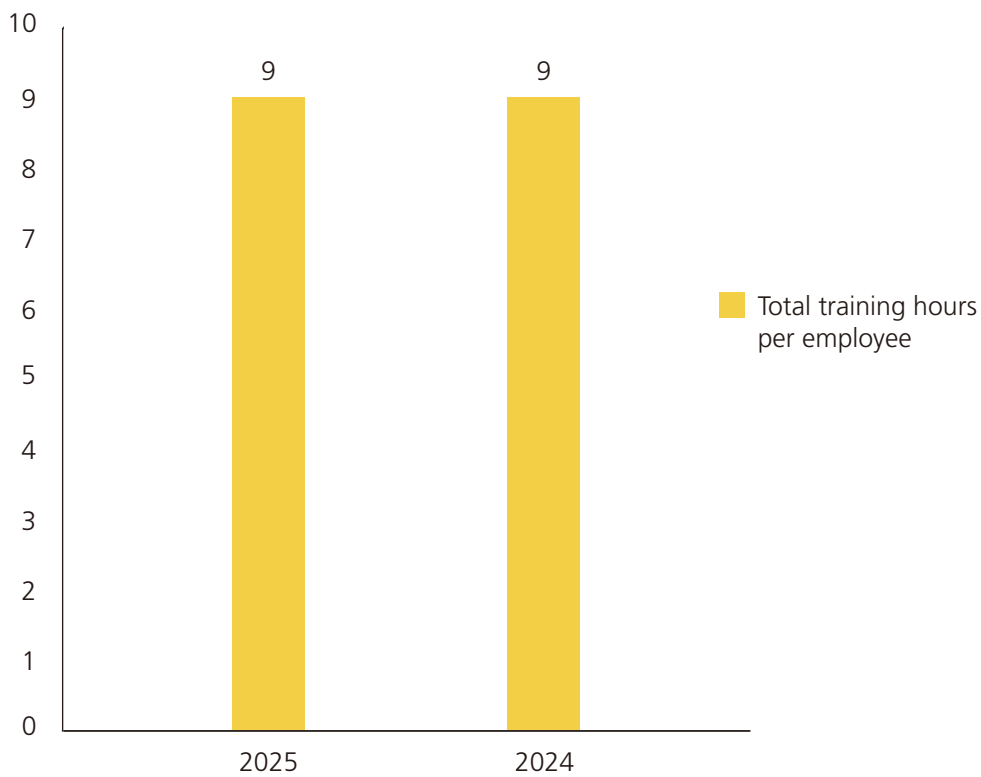
During the year, we did not have any work-related fatalities or injuries and there had not been any claims for personal or property damages or related compensation paid to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training

The Group believes our success depends on our employees' provision of consistent, high-quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, the Group places a strong emphasis on training our employees. Prior to commencement of work, new employees must attend mandatory pre-employment training sessions. In addition, the Group also invited professional trainers from third-party research institutions to provide all employees with regular training on professional knowledge, technical skills and production safety.

Total training hours per employee



All employees and senior management have attended the same training courses during the years ended 31 December 2024 and 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Fair Recruitment and Promotion

The Group recruits staff based on a fair, open and impartial principle to ensure the recruitment, selection and promotion process is objective and consistent. The Group only takes into account an individual's competence, regardless of the age (apart from the policy of no recruitment of minors under the age of 16), nationality, race, gender, religion, pregnancy or disability. This process avoids any employment discrimination and offers equal employment and promotion opportunities to all candidates.

Employment

The Group stringently complies with all national and local laws, such as the Labor Law, Labor Contract Law and Employment Promotion Law of the People's Republic of China. The Group legally abides by labour laws and regulations. The employment of child labour and forced-labour workers are strictly prohibited.

Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour in any form. New employees are required to provide true and accurate personal data when they are onboard. During the year ended 31 December 2025, the Group strictly complied with the relevant laws and regulations, in relation to the prevention of child labour or forced labour. No material non-compliance with the laws and regulations has been found by the Group.

RELATIONSHIPS WITH EMPLOYEES AND CUSTOMERS

Believing that a sense of belonging is the key for the healthy growth of every commercial organisation, the Group promotes open and direct communication between employees and management. The Group organises regular group activities to enhance the harmonious spirit of different levels of staff members throughout the Group. The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

The Group's customers were our tenants, who are the manufacturers, suppliers, distributors as well as the wholesalers of measuring and cutting tools. The Group has established stable relationship with the tenants. The tenant whom we have the longest relationship with has leased our properties for over 5 years.

SUPPLY CHAIN MANAGEMENT

Due to the nature of the business, the Group does not have any supplier. However, in order to enhance the competitiveness of the trading centre and provide value added services to the tenants, the Group have engaged a property management service company, an independent third party, to provide ongoing property management service to the tenants. The Responsibility of the property management service provider includes providing, among others, security service, cleaning service, water and electricity repair and maintenance service to the tenants.

In order to control the quality and performance of the subcontractors, the selection basis is based on the following criteria: previous experience and past performance, reliability and responsiveness, financial status, any relationship with staff, if applicable, disclosed, fee/price of service/product and credit terms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

QUALITY CONTROL AND MANAGEMENT

The Group believes that its management team has accumulated an extensive experience in a broad range of functions comprising site management, cost control and quality control as well as efficient execution capability. Due to the nature of business, the Group does not have health and safety, advertising and labelling matters relating to its products and services provided.

Data Protection and Privacy Policies

All employees are prohibited from disclosing any confidential information under the Group's confidentiality policy. Data including project-related information and other sensitive information such as information of tenants (other than publicly available information) are subject to access control to ensure its security and prevent any abuse or misuse.

Intellectual Property

As at 31 December 2025, the Group had registered four trademarks in the PRC and two domain names.

Bribery, Corruption and Other Misconduct

The Group's employee handbook regulates the employees' conducts with respect to conflicts of interest, bribery, corruption and other misconduct. The Group provides regular training for our employees to emphasize the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. An effective whistle blowing policy is (including but not limited to report to department managers, the human resources manager and the senior management) also in place to minimize the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace. To the best knowledge of the Directors, during the Reporting Period, there was no non-compliance involving bribery and corruption related laws and regulations.

COMMUNITY INVOLVEMENT/CHARITABLE DONATIONS

The Group is committed to fulfilling its CSR and continues to dedicate its resources to charitable activities.

* For identification purpose only

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 76 to 136, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**"), as applicable to audits 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.

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.

Key audit matters (Continued)

Valuation of investment properties

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2(f).

The Key Audit Matter

The Group's investment properties are located in Wenling City, Zhejiang Province. The fair value of the Group's investment properties as at 31 December 2025 was RMB1,020 million, which represented 93% of the Group's total assets as at that date.

The fair value of the Group's investment properties as at 31 December 2025 was assessed by the board of directors based on valuations prepared by an external firm of qualified valuers (the "Valuer"). The valuation losses on investment properties recorded in the consolidated statement of profit or loss and other comprehensive income were RMB24.4 million for the year ended 31 December 2025.

We identified assessing the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and because the valuation of investment properties can be inherently subjective and requires the exercise of significant judgement and estimation, in particular in determining the appropriate valuation methodology, capitalisation and discount rates, market rents and adjusted quoted prices in active markets, which increases the risk of error or management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal controls in relation to the valuation of investment properties and the preparation and monitoring of management budgets and forecasts of construction and other costs for the property development project;
- obtaining and inspecting the valuation reports prepared by the Valuer engaged by the Group on which the directors' assessment of the fair values of investment properties was based;
- assessing the qualifications of the Valuer and their experience and expertise in the properties being valued and considering their objectivity;

INDEPENDENT AUDITOR'S REPORT

Key audit matters (Continued)

Valuation of investment properties

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- with the assistance of our internal property valuation specialists, discussing with management and the Valuer and assessing the valuation methodology and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation and discount rates, market rents, adjusted quoted market prices, on a sample basis, by comparing assumptions made in prior years with the current year's assumptions and publicly available data;
- for completed investment properties, conducting site visits to observe the completion status or further development status, and comparing tenancy information, including committed rents provided by the Group to the Valuer, on a sample basis, with underlying contracts and documentation relating to details of the number of property units held for investment purposes, to assess the accuracy of the inputs to the valuation model; and
- for investment property under development, conducting site visit to observe the development progress, reviewing the third party's construction progress report and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs and signed construction contracts.

INDEPENDENT AUDITOR'S REPORT

Information other than the consolidated financial statements and auditor's report thereon

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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's 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 the directors for the consolidated financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai (practising certificate number: P06438).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025
(Expressed in thousands of Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Revenue	5	68,973	68,814
Cost of sales		(13,985)	(13,363)
Gross profit		54,988	55,451
Valuation losses on investment properties	12	(24,363)	(24,222)
Other net income	6	1,447	35
Selling and marketing expenses		(789)	(888)
Administrative expenses		(9,378)	(8,966)
Profit from operations		21,905	21,410
Finance costs		(173)	–
Share of losses of an associate	17	(80)	(440)
Profit before taxation	7	21,652	20,970
Income tax	8	(5,358)	(5,900)
Profit for the year		16,294	15,070
Other comprehensive income for the year		–	–
Total comprehensive income for the year		16,294	15,070
Earnings per share	11		
Basic and diluted (RMB)		0.20	0.19

The notes on pages 81 to 136 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 25(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2025
(Expressed in thousands of Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Investment properties	12	1,019,700	1,009,000
Property, plant and equipment	13	6,933	7,146
Lease prepayments	14	467	490
Interest in an associate	17	6,723	6,803
Other non-current assets	15	9,120	5,464
		1,042,943	1,028,903
Current assets			
Properties under development for sale	18	34,677	–
Amounts due from an associate	29(c)	177	186
Trade and other receivables	19(a)	479	176
Prepayments	19(b)	318	419
Income tax prepaid		119	106
Cash and cash equivalents	20	18,885	86,386
		54,655	87,273
Current liabilities			
Other payables and accruals	21	18,471	24,752
Contract liabilities	22	1,939	2,067
Receipts-in-advance, current	23	54,157	52,156
Current taxation	24(a)	6,635	8,697
		81,202	87,672
Net current liabilities		(26,547)	(399)
Total assets less current liabilities		1,016,396	1,028,504

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2025
(Expressed in thousands of Renminbi)

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Receipts-in-advance, non-current	23	44,555	49,599
Other long-term payables		2,559	3,786
Deferred tax liabilities	24(b)	169,579	173,310
		216,693	226,695
NET ASSETS			
		799,703	801,809
CAPITAL AND RESERVES			
Share capital	25(c)	80,000	80,000
Reserves	25(d)	719,703	721,809
TOTAL EQUITY			
		799,703	801,809

Approved and authorised for issue by the Board of Directors on 26 March 2026.

Chen Xiangbiao
Director

Xu Yi
Director

The notes on pages 81 to 136 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025
(Expressed in thousands of Renminbi)

	Note	Share capital RMB'000	Capital reserve RMB'000	PRC statutory Reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2024		80,000	67,565	17,468	640,106	805,139
Profit for the year		-	-	-	15,070	15,070
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income		-	-	-	15,070	15,070
Appropriation for PRC statutory reserve	25(d)(ii)	-	-	2,706	(2,706)	-
Dividends approved in respect of the previous years	25(b)(ii)	-	-	-	(18,400)	(18,400)
Balance at 31 December 2024 and 1 January 2025		80,000	67,565	20,174	634,070	801,809
Profit for the year		-	-	-	16,294	16,294
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income		-	-	-	16,294	16,294
Appropriation for PRC statutory reserve	25(d)(ii)	-	-	2,646	(2,646)	-
Dividends approved in respect of the previous years	25(b)(ii)	-	-	-	(18,400)	(18,400)
Balance at 31 December 2025		80,000	67,565	22,820	629,318	799,703

The notes on pages 81 to 136 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025
(Expressed in thousands of Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Operating activities:			
Cash generated from operations	20(b)	7,978	42,713
PRC Corporate Income Tax ("CIT") refund	24(a)	–	611
PRC CIT paid	24(a)	(10,421)	(11,740)
PRC Land Appreciation Tax ("LAT") paid	24(a)	(743)	–
Net cash (used in)/generated from operating activities		(3,186)	31,584
Investing activities:			
Payment for the purchase of property, plant and equipment		(442)	(387)
Payment for increase in investment properties		(45,393)	(881)
Interest received		48	120
Net cash used in investing activities		(45,787)	(1,148)
Financing activities:			
Proceeds from borrowings		19,500	–
Repayment of bank loans		(19,500)	–
Payment of loan interests		(173)	–
Payment of dividends		(18,355)	(18,487)
Net cash used in financing activities		(18,528)	(18,487)
Net (decrease)/increase in cash and cash equivalents		(67,501)	11,949
Cash and cash equivalents at the beginning of the year		86,386	74,437
Cash and cash equivalents at the end of the year	20(a)	18,885	86,386

The notes on pages 81 to 136 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

1 GENERAL INFORMATION

The Company was formerly named as Wenling City Wenxi Measuring and Cutting Tools Trading Centre Company Limited. (溫嶺市溫西工量刀具交易中心有限公司, “**the Company**”), which was established as a limited liability company incorporated in Wenling City, Zhejiang Province in the People’s Republic of China (the “**PRC**”) on 14 May 2003. The principal activity of the Company and its subsidiaries (together, the “**Group**”) is property leasing and property developments.

On 3 May 2018, the Company was converted into a joint stock limited liability company with a registered capital of RMB60,000,000 in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited. Upon completion of this conversion, the Company changed its name to Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (溫嶺浙江工量刀具交易中心股份有限公司).

On 30 December 2020, the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited and issued 20,000,000 new ordinary shares.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties (see Note 2(f)) which are stated at its fair value.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group had net current liabilities of RMB26,547,000 as at 31 December 2025. As at 31 December 2025, the Group had banking facilities of RMB308,900,000 from two third-party banks, of which the unutilized amount was RMB308,900,000. The drawdown of the credit facilities is subject to the terms and conditions of each agreement. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the twelve-month period from 1 January 2026 to 31 December 2026, the Group will take necessary measures, including drawdown of additional loans from the presently available banking facilities, to ensure the Group will have necessary liquid funds to repay its debts as and when they fall due, and to finance its working capital and capital expenditure requirements.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions and cash flows and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(iii)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised gains arising resulting from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see Note 2(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Investment properties

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Leasehold land held for development into investment property, representing leasehold land located in the PRC for development into investment properties, is stated initially at cost and subsequently revalued as at the end of each reporting period.

Construction costs incurred for investment properties under development and leasehold land held for development into investment properties are capitalized as part of the carrying amount of the investment properties under development.

Any gain or loss on disposal of investment properties is recognised in profit or loss. Rental income from investment properties is recognised in accordance with Note 2(u)(ii)(a).

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

The following properties held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

- leasehold land and buildings; and
- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see Note 2(i)).

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(i)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Electronic equipment 3 to 10 years
- Motor vehicles 4 years
- Machinery and equipment 10 years
- Office equipment 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(iii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Software	5 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leased assets

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

(i) As a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(iii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment properties, are carried at fair value (see Note 2(f)).
- right-of-use assets related to interests in leasehold land where the interest in the land is held as properties under development for sale are carried at the lower of cost and net realisable value in accordance with Note 2(k).

The consideration paid to lease the state-owned or collectively-owned land in the PRC are treated as prepayment for land use rights and included in lease prepayments, which are stated at cost less accumulated amortisation and impairment loss. Land use rights measured at cost are amortised over the lease period using straight-line method.

The following land use rights with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Lease prepayment 37 to 50 years

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(u)(ii)(a).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”s) on:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, other receivables, including those loans to associates that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- lease receivables; and
- loan commitments issued, which are not measured at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade receivables, other receivables and prepayments: effective interest rate determined at initial recognition or an approximation thereof;
- lease receivables: discount rate used in the measurement of the lease receivable;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

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

The Group considers a financial asset to be in default when:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. 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 that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “**holder**”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(j)(i) and (ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Property under development for sale

Properties under development for sale, representing leasehold land and buildings located in the People's Republic of China (the "PRC") under development for future sale in the ordinary course of business, are stated at the lower of cost and net realizable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the term in the contract. Contract assets are assessed for ECLs (see Note 2(j)(i)) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see Note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(i)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(j)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(o) Restricted cash

Restricted cash represents amounts held by banks, which are not available for the Company's use, as security for certain special capital expenditures.

(p) Other payables and accruals

Other payables and accruals are initially recognised at fair value. Subsequent to initial recognition, other payables and accruals are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(v).

(r) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(j)(iii)).

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 of economic benefits 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 of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services and the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group derives substantially all of its revenue from sale of properties and rental income from operating leases. The Group also derives a small portion of its revenue from the provision of property management services. Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follow:

(i) Revenue from contracts with customers

(a) *Sale of properties*

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognized when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 2(l)).

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

(a) *Sale of properties (Continued)*

To the extent that the advance payments from customers are regarded as providing a significant financing benefit to the Group, revenue recognised under that contract includes the interest accreted on the contract liability under the effective interest method during the period between the payment date and the completion date of legal assignment. The discount rate applied is reflective of the rate in a separate financing transaction between the Group and the customer at contract inception. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs, in accordance with the policies set out in Note 2(v).

(b) *Property management service fee*

The Group recognises revenue from the provision of property management services under HKFRS 15, Revenue from contracts with customers.

The Group recognised revenue when the performance obligation is satisfied, i.e. when "control" of the service underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customer simultaneously receives the benefits provided by the Group's performance as the Group performs. Revenue from property management service is recognised over time as the Group performs the related service to the customer.

(c) *Other practical expedients applied*

In addition, the Group has applied the following practical expedients:

- For property management service that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of HKFRS 15.
- The Group has recognised the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred in accordance with paragraph 94 of HKFRS 15, as the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(ii) Revenue from other sources and other income

(a) *Rental income from operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(b) *Interest income*

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements. Note 26 contain information about the assumption and their risk factors relating to financial instruments. Other key source of estimation uncertainty is as follows:

(a) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed at each interim and annual reporting period by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of each reporting period, with reference to the appropriate capitalisation rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

4 SEGMENT REPORTING

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group operates in Mainland China and accordingly, no geographical information is presented.

5 REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follow:

	Note	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15			
– Property management service income and others		3,706	4,055
Revenue from other sources			
– Property leasing	(i)	65,267	64,759
Total		68,973	68,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

5 REVENUE (Continued)

Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	2025 RMB'000	2024 RMB'000
– Overtime		
Others	3,706	4,055

- (i) The Group's revenue recognition policies are disclosed in Note 2(u). During the year, the Group's revenue mainly consist of revenue from property leasing.

For the year ended 31 December 2025, no customer's revenue exceeds 10% of the Group's revenue (for the year ended 31 December 2024, no customer's revenue exceeds 10% of the Group's revenue).

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its provision of property management services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for provision of property management services that have an original expected duration of one year or less.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied) as at 31 December 2025 and the expected timing of recognizing revenue are as follows:

	Property management services RMB'000
Within one year	1,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

6 OTHER NET INCOME

	2025 RMB'000	2024 RMB'000
Interest income from bank deposits	48	120
Government grants	200	2
Net exchange loss	45	(87)
Compensation from EPC	1,100	–
Others	54	–
Total	1,447	35

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits	3,569	3,604
Contributions to the PRC local retirement schemes	922	840
	4,491	4,444
Included in:		
Cost of services	2,131	2,249
Administrative expenses	2,360	2,195
	4,491	4,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

7 PROFIT BEFORE TAXATION (continued)

(a) Staff costs (continued)

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “**Defined Contribution Schemes**”) organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group’s contributions to the Defined Contribution Scheme vest fully with the employees upon such contributions being made and there are no forfeited contributions under the Defined Contribution Scheme that would be used by the Group to reduce the existing level of contributions.

(b) Other items

	2025 RMB'000	2024 RMB'000
Depreciation		
– owned property, plant and equipment	655	561
– lease prepayments	23	23
	678	584
Auditor’s remuneration	1,000	1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Current tax	24		
– PRC CIT		9,144	9,033
– Over-provision in respect of prior years		(55)	(1,564)
– Over provision in PRC LAT		–	1,878
		9,089	9,347
Deferred tax			
– PRC CIT	24(b)(i)	(3,731)	(3,163)
– PRC LAT	24(b)(i)	–	(284)
		(3,731)	(3,447)
		5,358	5,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025 RMB'000	2024 RMB'000
Profit before taxation	21,652	20,970
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	5,413	5,243
Over-provision in respect of prior years	(55)	(1,564)
Tax effect of non-deductible expenses	-	24
Deferred tax liabilities not recognised in prior year	-	789
LAT	-	1,878
Tax effect of LAT	-	(470)
Actual tax expense	5,358	5,900

(i) The Company and its subsidiaries in the PRC are subject to PRC statutory income tax at 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

9 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2025	Directors' Fees (i) RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary Bonuses (ii) RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Pan Haihong (resigned on 14 April 2025)	–	81	–	–	81
Xu Yi	–	203	–	46	249
Chen Xiangbiao (appointed on 4 June 2025)	–	–	–	–	–
Guo Jun (appointed on 4 June 2025)	18	101	–	19	138
Non-executive Directors					
Jin Guoxin (appointed on 4 June 2025)	–	–	–	–	–
Wang Wenming	10	–	–	–	10
Cheng Jinyun	10	–	–	–	10
Ye Yunzhi	10	–	–	–	10
Independent Non-executive Directors					
Xu Wei	30	–	–	–	30
Xu Chunhui (appointed on 4 June 2025)	18	–	–	–	18
Wong Ka Wai	93	–	–	–	93
He Liyun	30	–	–	–	30
Supervisors					
Zhou Jiashen	–	84	–	18	102
Xie Huihui	–	99	–	19	118
Feng Linjun	–	–	–	–	–
	219	568	–	102	889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

9 DIRECTORS' REMUNERATION (Continued)

Year ended	Directors' Fees (i)	Salaries, allowances and benefits in kind	Discretionary Bonuses (ii)	Contributions to retirement benefit scheme	Total
31 December 2024	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Pan Haihong	30	161	–	–	191
Zhou Guilin (passed away on 8 June 2024)	13	66	–	–	79
Xu Yi (appointed on 10 May 2024)	23	116	–	42	181
Non-executive Directors					
Huang Qun (resigned on 27 March 2024)	–	–	–	–	–
Wang Wenming	–	–	–	–	–
Cheng Jinyun	–	–	–	–	–
Ye Yunzhi	–	–	–	–	–
Independent Non-executive Directors					
Xu Wei	30	–	–	–	30
Jin Hongqing (resigned on 10 December 2024)	30	–	–	–	30
Wong Ka Wai	93	–	–	–	93
He Liyun (appointed on 30 December 2024)	–	–	–	–	–
Supervisors					
Xie Yanli (resigned on 10 May 2024)	–	–	–	–	–
Zhou Jiashen	10	86	–	16	112
Xie Huihui	10	104	–	16	130
Feng Linjun (appointed on 10 May 2024)	–	–	–	–	–
	239	533	–	74	846

(i) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. Two (2024: Five) directors have waived their directors' fees and one (2024: two) supervisors have waived their supervisors' fees during the year of 2025.

(ii) Discretionary bonus is determined by reference to the performance of individuals and the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2024: three) are directors or supervisors of the Company whose remuneration is disclosed in Note 9. The aggregate of the emoluments in respect of the other two (2024: two) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowance and benefits in kind	204	207
Retirement scheme contributions	37	31
	241	238

The emoluments of the two (2024: two) individuals with the highest emoluments are within the following bands:

	2025 Number of Individuals	2024 Number of Individuals
Nil – HK\$1,000,000	2	2

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB16,294,000 (2024: RMB15,070,000) and the weighted average of 80,000,000 ordinary shares in issue (2024: 80,000,000 shares) during the year.

The Company did not have any potential ordinary shares outstanding during the year. Diluted earnings per share is equal to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

12 INVESTMENT PROPERTIES

	Completed investment property RMB'000	Investment property under development RMB'000	Total RMB'000
At 1 January 2024	1,031,600	–	1,031,600
Additions	1,622	–	1,622
Fair value adjustments	(24,222)	–	(24,222)
At 31 December 2024 and 1 January 2025	1,009,000	–	1,009,000
Additions	188	34,875	35,063
Fair value adjustments	(24,388)	25	(24,363)
At 31 December 2025	984,800	34,900	1,019,700

Fair value adjustments of investment properties are recognised in the line item “Valuation losses on investment properties” on the face of the consolidated statement of profit or loss and other comprehensive income.

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group’s properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

12 INVESTMENT PROPERTIES (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2025 RMB'000	Fair value measurements as at 31 December 2025 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment Properties:				
– Completed-Mainland China	984,800	–	–	984,800
– Under development-Mainland China	34,900	–	–	34,900
	1,019,700	–	–	1,019,700

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment Properties:				
– Completed-Mainland China	1,009,000	–	–	1,009,000

During the years ended 31 December 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2025. The valuations were carried out by an independent firm of valuers in Hong Kong, Vincorn Consulting and Appraisal Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's directors and the financial manager have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

12 INVESTMENT PROPERTIES (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements:

2025	Valuation technique	Unobservable input	Range	Relationship of unobservable inputs to fair values
Completed investment properties	Income Capitalisation Method	Capitalisation rate and discount factor	6.00% to 7.50%	The higher the rates, the lower the fair value
		Adjusted market price per square meter (RMB/square meter)	RMB5,730 to RMB11,129	The higher the rates, the higher the fair value
Investment property under development	Residual Approach	Budgeted cost per square meter	RMB5,021	The higher the budgeted cost, the lower the fair value
		Anticipated developer's profit Margin	20%	The higher the anticipated developer's profit, the lower the fair value
2024	Valuation technique	Unobservable input	Range	Relationship of unobservable inputs to fair values
Completed investment properties	Income Capitalisation Method	Capitalisation rate and discount factor	6.00% to 7.50%	The higher the rates, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

12 INVESTMENT PROPERTIES (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements: (continued)

The Group has three investment properties, all located in Mainland China.

Two investment properties are completed. One of these completed investment properties is partially owner-occupied and partially subjected to existing tenancies as at the date of valuation. The other completed investment property is partially vacant and partially subjected to existing tenancies as at the date of valuation. In this connection, for the property interests in vacant possession, the fair value has been determined assuming vacant possession could be immediately available as at the date of valuation. For the tenanted property interests, the fair value has been determined on the basis of capitalisation of the net income derived from the existing tenancies with due allowance for reversionary income potential of the respective properties and where appropriate, also made reference to the comparable market transactions.

For the property under development, which consists of a leasehold land acquired in June 2025 and construction costs occurred, the fair value is determined by making reference to comparable sale transactions as available in the relevant markets and estimated costs to completion based on construction budget, committed contracts, allowances for contingencies as well as developer's profit margin, which reflect the risks in relation to the completion of the construction and marketability of proposed development, and in achieving the anticipated income or capital appreciation on the date of valuation.

(b) Investment properties leased out under operating leases

The Group leases out investment properties. The leases typically run for an initial period of 1 to 20 years.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group does not have any material lease receivables under non-cancellable operating leases as at 31 December 2025 (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2024	10,705	2,308	693	399	538	14,643
Additions	-	-	306	81	-	387
At 31 December 2024 and 1 January 2025	10,705	2,308	999	480	538	15,030
Additions	-	-	-	442	-	442
At 31 December 2025	10,705	2,308	999	922	538	15,472
Accumulated depreciation:						
At 1 January 2024	(4,811)	(1,329)	(552)	(368)	(263)	(7,323)
Charge for the year	(211)	(219)	(69)	(5)	(57)	(561)
At 31 December 2024 and 1 January 2025	(5,022)	(1,548)	(621)	(373)	(320)	(7,884)
Charge for the year	(211)	(212)	(105)	(70)	(57)	(655)
At 31 December 2025	(5,233)	(1,760)	(726)	(443)	(377)	(8,539)
Net book value:						
At 31 December 2025	5,472	548	273	479	161	6,933
At 31 December 2024	5,683	760	378	107	218	7,146

All of the Group's buildings are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

14 LEASE PREPAYMENTS

	Land use right RMB'000
Cost:	
At 1 January 2024, 31 December 2024 and 31 December 2025	798
Accumulated amortisation:	
At 1 January 2024	(285)
Charge for the year	(23)
At 31 December 2024 and 1 January 2025	(308)
Charge for the year	(23)
At 31 December 2025	(331)
Net book value:	
At 31 December 2025	467
At 31 December 2024	490

The lease prepayments represent the right-of-use assets in respect of leases under HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

15 OTHER NON-CURRENT ASSETS

	Note	2025 RMB'000	2024 RMB'000
Payment for investment properties		3,938	–
Prepaid business tax	(i)	2,264	2,546
Property maintenance funds	(ii)	2,582	2,582
Others		336	336
		9,120	5,464

- (i) Business tax was prepaid by the Company in respect of property leasing fees prepaid by tenants, which would be charged to profit or loss when the related prepaid leasing fees are recognised as revenue.
- (ii) The amount mainly includes property maintenance funds paid to the Housing and Urban Construction Bureau of Wenling City.

Movement of prepaid business tax

	2025 RMB'000	2024 RMB'000
At the beginning of the year	2,828	3,110
Amortisation for the year	(282)	(282)
At the end of the year	2,546	2,828

Reconciliation to the consolidated statement of financial position of the prepaid business tax:

	2025 RMB'000	2024 RMB'000
Other receivables and prepayments (Note 19)	282	282
Other non-current assets	2,264	2,546
	2,546	2,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

16 INTERESTS IN SUBSIDIARIES

The particulars of the Group's subsidiaries are as follows.

Name of company	Date and place of incorporation and business	Issued and paid-up capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
Wenling Measuring and Cutting Tools Network Co., Ltd. (" Wenling Measuring and Cutting Tools Network ") (i) (溫嶺工量刃具網有限公司)	27 July 2011 Wenling, the PRC	RMB100,000/ RMB100,000	100%	100%	E-commerce technology development services
Wenling Sunrise Real Estate Development Co., Ltd. (" Wenling Xuri ") (i) (溫嶺市旭日投資有限公司)	12 June 2018 Wenling, the PRC	RMB50,000,000/ RMB50,000,000	100%	100%	Investment, real estate development and management, conference and exhibition and related services
Wenling Chenxi Property Management Co., Ltd. (溫嶺市晨曦物業管理有限公司)	5 July 2021 Wenling, the PRC	RMB1,000,000/ RMB1,000,000	100%	100%	Property management services

(i) Limited liability company established under the PRC law

17 INTERESTS IN ASSOCIATE

The following list contains the particulars of the Group's associate, which is unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Registered capital (RMB)	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Wenling Gonglian Tooling Technology Service Co. (Wenling Gonglian) (溫嶺工聯工量刃具科技服務有限公司)	Incorporated	The People's Republic of China (" PRC ")	10 million	20%	20%	-	Property leasing and technology support service

The Company entered into an agreement with Wenling Gonglian to subscribe for 20% of its equity interest with a consideration of RMB8,000,000 in December 2021, and fully paid the consideration on 11 January 2022. During the year ended 31 December 2025, the share of losses of associates amounted to RMB80,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

18 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2025 RMB'000
Properties under development for sale	34,677

(a) The movement of properties under development for sale is as follows:

	2025 RMB'000
Carrying amount at 1 January	–
Additions	34,677
Carrying amount at 31 December	34,677

The Group's properties under development for sale is located in the PRC, and is stated at the lower of cost and net realizable value.

(b) The analysis of carrying value of land held for future development for sale is as follows:

	2025 RMB'000
In PRC – 40 years	26,769

19 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	2025 RMB'000	2024 RMB'000
Trade receivable, net of loss allowance	64	45
Other receivables:		
– Payments on behalf of the third parties	336	100
– Other receivables	79	31
	479	176

All of the trade receivables and other receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

19 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade and other receivables (Continued)

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
1 to 3 months	64	45

Trade receivables are due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 26(a).

(b) Prepayments

	2025 RMB'000	2024 RMB'000
Prepayments for services	36	137
Prepaid business tax	282	282
	318	419

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Cash in hand	54	79
Cash at banks	18,831	86,307
	18,885	86,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

20 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generate from operations

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Operating activities			
Profit before taxation		21,652	20,970
Adjustments for:			
Valuation losses on investment properties	12	24,363	24,222
Depreciation and amortisation	7(b)	678	584
Share of loss of an associate	17	80	440
Finance costs		173	–
Interest income	6	(48)	(120)
Foreign exchange (gains)/losses	6	(45)	87
Changes in working capital:			
Increase in properties under development for sale		(34,677)	–
Decrease in amounts due from an associate		9	15
(Increase)/decrease in trade and other receivables		(303)	862
Decrease in prepayments		101	533
Decrease in other non-current assets		282	282
Increase in other payables and accruals		111	5,041
Decrease in receipts-in-advance, net		(4,270)	(10,798)
(Decrease)/increase in contract liabilities		(128)	595
Cash generated from operations		7,978	42,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

21 OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Payable for purchase of property, plant and equipment and investment properties	1,246	7,638
Accrued payroll	1,098	949
Other taxes payable	4,751	6,114
Deposits	8,075	6,929
Payable for professional fees	1,983	1,649
Payable for property management fees and utilities	237	877
Others	1,081	596
	18,471	24,752

All of the other payables and accruals are normally settled within one year or are repayable on demand.

22 CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Advance payments received – Property management services	1,939	2,067

For property management services, the Group recognises revenue as the services are provided and recognises to which the Group has a right to invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

22 CONTRACT LIABILITIES (Continued)

Movements in contract liabilities during the year are as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	2,067	1,472
Decrease in contract liabilities as a result of recognising revenue that was included in the contract liabilities at the beginning of the year	(2,067)	(1,472)
Increase in contract liabilities as a result of receipts in advances of provision of property management services	1,939	2,067
Balance at 31 December	1,939	2,067

All the advance payments received from provision of property management services are expected to be recognised as revenue within one year.

23 RECEIPTS-IN-ADVANCE

Receipts-in-advance mainly represents property leasing fees prepaid by tenants. The receipts-in-advance that are expected to be recorded as revenue within one year of the balance sheet date are recorded as current liability, and receipts-in-advance that are expected to be recorded as revenue beyond one year of the balance sheet date are recorded as non-current liability.

	2025 RMB'000	2024 RMB'000
At the beginning of the year	101,755	116,339
Carry-over to revenue for the year	(57,541)	(64,279)
Receipts during the year	55,358	59,201
Deposits transfer to other payables	(860)	(9,506)
At the end of the year	98,712	101,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

23 RECEIPTS-IN-ADVANCE (Continued)

Reconciliation to the consolidated statement of financial position:

	2025 RMB'000	2024 RMB'000
Receipts-in-advance, current	54,157	52,156
Receipts-in-advance, non-current	44,555	49,599
	98,712	101,755

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	8,591	10,373
Provision for current income tax for the year (Note 8(a))	9,089	9,347
Refund during the year	–	611
Payment during the year	(11,164)	(11,740)
At the end of the year	6,516	8,591
Representing:		
Tax recoverable	(119)	(106)
Tax payable	6,635	8,697
	6,516	8,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	<i>Note</i>	Provision for depreciation and amortisation RMB'000	Revaluation of investment properties RMB'000	Interest capitalisation RMB'000	LAT RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2024		20,093	155,764	1,064	284	(448)	176,757
Charged/(credited) to profit or loss	<i>8(a)</i>	3,307	(6,054)	(54)	(284)	(362)	(3,447)
At 31 December 2024 and 1 January 2025		23,400	149,710	1,010	-	(810)	173,310
Charged/(credited) to profit or loss	<i>8(a)</i>	2,610	(6,090)	(26)	-	(225)	(3,731)
At 31 December 2025		26,010	143,620	984	-	(1,035)	169,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Note	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 31 December 2023 and 1 January 2024						
		80,000	67,565	13,449	590,294	751,308
Profit for the year		-	-	-	17,966	17,966
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	17,966	17,966
Appropriation for PRC statutory reserve	25(d)(ii)	-	-	2,706	(2,706)	-
Dividends approved in respect of the previous years		-	-	-	(18,400)	(18,400)
Balance at 31 December 2024 and 1 January 2025						
		80,000	67,565	16,155	587,154	750,874
Profit for the year		-	-	-	16,109	16,109
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	16,109	16,109
Appropriation for PRC statutory reserve	25(d)(ii)	-	-	2,646	(2,646)	-
Dividends approved in respect of the previous years		-	-	-	(18,400)	(18,400)
Balance at 31 December 2025		80,000	67,565	18,801	582,217	748,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2025 RMB'000	2024 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.12 (2024: RMB0.23) per ordinary share	9,600	18,400

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	18,400	18,400

The directors consider that the dividends declared and approved during the year ended 31 December 2025 are not indicative of the future dividend policy of the Group.

(c) Share capital

	2025		2024	
	No. of shares (‘000)	RMB'000	No. of shares (‘000)	RMB'000
Ordinary shares, issued and fully paid:				
At 31 December	80,000	80,000	80,000	80,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises of share premium of the Company.

(ii) PRC statutory reserve

According to the PRC Company Law, the Company and its PRC subsidiaries are required to transfer 10% of their profit after taxation (after offsetting the losses in the preceding years), as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholder and benefits for other stakeholders, by pricing rental and management fee commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of bank loans less cash and cash equivalents, and equity of the Group, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group is not subject to externally imposed capital requirements throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business. The Group's business exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents and other receivables and prepayments. The Group's exposure to credit risk arising from cash is limited because the counterparties are banks with good credit rating, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 28, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 28.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts. Normally, the Group requires its customers to prepay the property leasing fees and the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2024 and 2025, the Group does not have any debtors that are past due but not impaired based on individual or collective assessment.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs and loss allowances for other receivables and prepayments at an amount equal to 12-month ECL, unless the risk that the specified debtor will default has increased significantly, in which case a lifetime ECL is measured. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable. As at 31 December 2024 and 2025, expected credit loss rate for financial assets measured at amortised costs was immaterial because 1) the Group did not have any material trade receivables because property leasing income was mostly received in advance for at least a year; and 2) based on past experience, management believed that no impairment allowance was necessary in respect of amounts due from related parties as there had been no significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	As at 31 December 2025				Total RMB'000	Carrying amount at 31 December RMB'000
	Contractual undiscounted cash flows					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Other payables and accruals	18,471	-	-	-	18,471	18,471
Other long-term payables	-	349	410	1,800	2,559	2,559
	18,471	349	410	1,800	21,030	21,030

	As at 31 December 2024				Total RMB'000	Carrying amount at 31 December RMB'000
	Contractual undiscounted cash flows					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Other payables and accruals	24,752	-	-	-	24,752	24,752
Other long-term payables	-	1,701	285	1,800	3,786	3,786
	24,752	1,701	285	1,800	28,538	28,538

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents.

The Group is not exposed to significant interest rate risk for cash and cash equivalents because the interest rates of cash at bank are not expected to change significantly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. The Group's exposure to foreign exchange risk primarily stems from holdings of cash and cash equivalent denominated in HK\$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

(e) Fair value measurement

As at 31 December 2024 and 2025, the carrying amounts of other receivables and prepayments, other payables and accruals and bank loans were not materially different from their fair values.

27 COMMITMENTS

Capital commitments outstanding at 31 December 2025 not provided for in the financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for	214,913	1,007

28 CONTINGENT LIABILITIES

	2025 RMB'000	2024 RMB'000
Mortgage loan guarantees provided by the Group to banks in favour of its customers	79,382	91,531

The Group provides mortgage loan guarantees to banks in favour of its customers for security to the mortgage loans granted, and the property ownership certificates of the respective properties were still pledged for such mortgage loans and will be released upon certain conditions are satisfied. In the opinion of the directors, the fair values of these financial guarantee contracts of the Group at initial recognition are insignificant and the directors consider that the possibility of default by the purchasers of the Group's properties is remote.

Accordingly, no value has been recognised at the inception of the guarantee contracts as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	991	979
Retirement scheme contributions	139	105
	1,130	1,084

Total remuneration is included in "staff costs" (see Note 7(a)).

(b) Related party transactions

	2025 RMB'000	2024 RMB'000
Rental income		
– Wenling City Qiaoling Investment Development Company Limited (" Qiaoling Investment ")	6,431	6,431
– Wenling Gonglian	1,115	1,115
Property management income from an associate	77	86
	7,623	7,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

29 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due from related parties

	2025 RMB'000	2024 RMB'000
Wenling Gonglian	177	186

(d) Amounts due to related parties

	2025 RMB'000	2024 RMB'000
Wenling Gonglian	54	59
Qiaoling Investment	34	16
	88	75

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

The related party transaction in respect of the rental income from Qiaoling Investment, as disclosed in Note 29(b) above constitutes connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The relevant disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Connected Transactions" of the Directors' report.

The related party transactions in respect of rental income and property management income from Wenling Gonglian, as disclosed in Note 29(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2025 RMB'000	2024 RMB'000
Non-current assets		
Investment properties	809,000	829,000
Property, plant and equipment	5,613	5,854
Lease prepayments	467	490
Other non-current assets	2,260	2,542
Interest in an associate	6,723	6,803
Interests in subsidiaries	196,931	132,024
	1,020,994	976,713
Current assets		
Other receivables and prepayments	362	366
Cash and cash equivalents	15,557	69,784
	15,919	70,150
Current liabilities		
Other payables and accruals	14,559	12,784
Contract liabilities	1,539	1,433
Receipts-in-advance, current	53,682	51,841
Current taxation	6,497	8,139
	76,277	74,197
Net current liabilities	(60,358)	(4,047)
Total assets less current liabilities	960,636	972,666
Non-current liabilities		
Receipts-in-advance, non-current	44,555	49,599
Other long-term payables	2,559	3,786
Deferred tax liabilities	164,939	168,407
	212,053	221,792
NET ASSETS	748,583	750,874
CAPITAL AND RESERVES		
Share capital	80,000	80,000
Reserves	668,583	670,874
TOTAL EQUITY	748,583	750,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 25(b).

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider the immediate parent and ultimate controlling party of the Group to be Wenling State-owned Assets Supervision and Administration Commission. This entity does not produce financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

(Continued)

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, 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 provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.