

譚木匠控股有限公司*

CARPENTER TAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 837

譚木匠

梳造东方美

SHU ZAO DONG FANG MEI



2025

ANNUAL REPORT

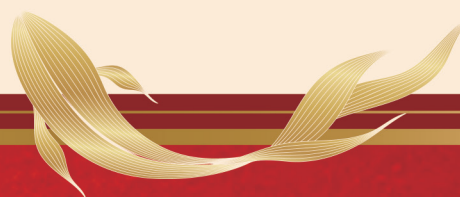
* For identification purpose only

譚木匠



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tan Chuan Hua (*Chairman*)
Mr. Tan Di Fu
Mr. Luo Hongping
Mr. Tan Lizi (*appointed on 1 February 2025*)
Ms. Liu Kejia (*appointed on 1 February 2025*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kam Wing, Donald
Ms. Liu Liting
Mr. Yang Tiannan (*resigned on 31 October 2025*)
Dr. Wong Kong Tin (*appointed on 1 November 2025*)

AUDIT COMMITTEE

Mr. Chau Kam Wing, Donald (*Chairman*)
Ms. Liu Liting
Mr. Yang Tiannan (*resigned on 31 October 2025*)
Dr. Wong Kong Tin (*appointed on 1 November 2025*)

REMUNERATION COMMITTEE

Mr. Chau Kam Wing, Donald (*Chairman*)
Ms. Liu Liting
Mr. Yang Tiannan (*resigned on 31 October 2025*)
Dr. Wong Kong Tin (*appointed on 1 November 2025*)

NOMINATION COMMITTEE

Mr. Chau Kam Wing, Donald (*Chairman*)
Ms. Liu Liting
Mr. Yang Tiannan (*resigned on 31 October 2025*)
Dr. Wong Kong Tin (*appointed on 1 November 2025*)

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

Mr. Chan Hon Wan *CA*
Mr. Tan Chuan Hua

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

Type A Factory Building
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Chongqing
The PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
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PRINCIPAL BANKERS

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The PRC

Agricultural Bank of China
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AUDITOR

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LEGAL ADVISORS TO THE COMPANY

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15 Queen's Road Central
Central
Hong Kong

STOCK CODE

837

COMPANY WEBSITE

www.ctans.com

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together the "Group" or "Carpenter Tan") for the year ended 31 December 2025 (the "Year Under Review") to the shareholders (the "Shareholders") and potential investors for your review.

First of all, I would like to extend my sincere apologies to everyone: After a decade of property rights protection efforts concerning the Company's management center office building in Jurong, Jiangsu, the Higher People's Court of Jiangsu Province rejected the Company's retrial application at the end of 2025. Despite management's utmost efforts over these ten years, the final outcome has been a great disappointment to the Company. Hereby, the Company expresses its profound concern and apologies to all shareholders and investors. Secondly, the Company will continue to defend its rights, fight to the end and strive to mitigate losses through means such as appeals, petitions, media outreach and seeking government support. Finally, the Company will engage in self-reflection and review. Only by strengthening foundational management, strictly adhering to management procedures and internal control systems, fulfilling all functions and responsibilities, and solidifying the Company's foundations, can we effectively prevent both foreseeable and unforeseeable operational risks. Meanwhile, the Company believes that this incident has limited impact on its fundamental operations and business scope. Hereby, we also kindly ask all shareholders and investors to grant the Company more tolerance, understanding, encouragement, and confidence.

In 2025, amidst a broader market environment still characterized by sluggish demand, low confidence, and weak growth momentum, the Company remained committed to focusing on its own operations. We deepened market expansion and advanced customer experience services, while also intensifying efforts to enforce market order and rectify violations. We opened a Song Dynasty aesthetics flagship store in Beijing and advanced expansion plans in Shanghai and Guangzhou or Shenzhen, striving to enhance the brand image and the confidence of the franchise system. Our overseas market initiatives, including online platform channels and offline self-operated and co-operated models, began to show initial improvements and results. We focused on product design R&D as well as process technology innovation, paying close attention to product quality and after-sales service guarantees. Fruitful results in innovation, technological advancement, and intellectual property were achieved. Continuous brand activities such as Design Competition, the "Garden of Combs", rationalization suggestions, and short stories yielded significant progress, infusing the practice of our core values and brand culture building with greater vitality. Fundamental management practices – including cost control through competitive sourcing and lean production – were effectively strengthened. As a result, the Company achieved relatively strong growth in areas such as net retail sales and the profitability of its main business compared to 2024. Looking back at 2025 and the Company's third three-year development plan, the Company has delivered a solid performance to all shareholders and investors.

The year 2026 marks the first year of the Company's implementation of its fourth three-year development plan. The Company has established clear objectives, action plans, and specific measures across sixteen key areas: value proposition, risk management and control, safety protocols, performance targets, marketing planning, market regulation and rectification, new product development, technological R&D, brand building, order fulfillment, human resources planning, financial services, quality assurance, resource support, public welfare initiatives, and organizational culture. Setting higher standards, the Company commits to concrete actions, not mere documentation.

In 2026, we will stay grounded, stay focused and keep moving forward.

Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 27 March 2026



MANAGEMENT
DISCUSSION
AND
ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

Based on the operational performance targets, key task areas, and critical work measures proposed in early 2025, the Company has closely monitored their execution and implementation. Each performance target and key task is anchored through three dimensions: strategic indicators at the corporate level, specific assignment to functional departments, and concrete execution by internal functional roles. This is further reinforced by quality objectives, process controls, and implementation measures within the three-quality management system. Monthly work meetings, special topic sessions, and quarterly evaluations then ensure concrete implementation and execution from the corporate level through functional departments to individual responsible personnel.

Construction of Phase I of the northern area of the new factory in Wanzhou has been fully completed according to design plan, with both the northern and southern areas now fully operational. This has provided effective site support for strategic raw material reserves and enabled implementation conditions for material drying techniques and the balanced conditioning process that ensures property stability. It has completely eliminated the significant “three-in-one” safety risk that persistently existed at the formerly leased logistics distribution center. Alongside optimizing production workflows and layout, comprehensive plans for improvements have been largely implemented to facilitate the employment of persons with disabilities and to enhance accessibility in production and living facilities. Photovoltaic power generation capacity has been further enhanced, representing a positive step forward in exploring low-carbon energy, green factory initiatives, and economic efficiency.

The Beijing flagship store, designed under the concept of Song Dynasty aesthetics, has completed its design phase and entered construction. It is scheduled to open in April 2026. The store will deeply showcase Song Dynasty aesthetics, combining experiences, handmade woodcraft, art curation, and the “Garden of Combs”. During the Year Under Review, a store of approximately 100 square meters with similar functionality and image to the Beijing flagship was launched in Suzhou, receiving positive feedback from property owners, along with strong market reputation and solid sales performance. Based on this, while ensuring the successful launch of the Beijing flagship store, the Company also plans to introduce flagship concept stores in Shanghai, Guangzhou, or Shenzhen. These initiatives aim not only to enhance brand image but also to further strengthen franchisees’ confidence in opening larger, higher-quality stores, fostering greater respect and recognition for the brand from property owners, and creating more favorable conditions for the brand’s reach and market expansion.

We intensified our efforts in brand communication and promotion, including the “Garden of Combs” and the Design Competition. Throughout the year, six “Garden of Combs” pop-up experience events were held across six cities. In Hangzhou, we hosted the 10th Design Competition Anniversary celebration, achievement exhibition and salon exchange. Meanwhile, efforts to build and preserve our intangible cultural heritage continued without pause. The stunning introduction of traditional lacquer techniques and cloisonné enamel inlay work aligned with government initiatives in cultural tourism and intangible cultural heritage, continuously exploring, presenting, and building upon these traditional crafts.

MANAGEMENT DISCUSSION AND ANALYSIS

In the domestic offline market, we continued to expand into prime locations – including tourist attractions and transportation hubs – as well as desirable shopping malls and quality storefronts. Underperforming side counters and strip counters were remodeled and upgraded into independent stores. Through the franchisee annual conference and the Combing Competition, we advanced and delivered immersive combing experiences that bring us closer to our customers. Throughout the year, significant growth was achieved in store expansion and upgrades, product refreshes, retail sales, and order fulfillment. In the domestic online market, adhering to our long-standing principle of refraining from price-based marketing and discounting, we deepened customer relationship management and after-sales service across various platforms. Through effective live streaming planning and content marketing, we still maintained healthy growth. In overseas markets, despite the impact of tariffs and trade wars, the Company adjusted its strategies in a timely manner. Both online platform channels and offline self-operated and co-operated expansion models showed initial improvements and results. The opening of a self-operated store in Singapore, a co-operated store in Malaysia, and an international image store in Hong Kong's Festival Walk simultaneously enhanced sales performance and brand image building.

Leveraging the wisdom of our employees, we continuously optimized and improved processes, procedures, and operating methods. Through initiatives such as improvements in raw material sawing and cutting methods, reasonable suggestions on material drying temperatures, combined patterning templates, and the efficient utilization of returned materials, we gathered ideas to implement lean production, cost savings, productivity enhancement, and waste elimination. The R&D of intelligent comb-tooth polishing, automated one-step milling of comb blanks, product patina finishing, and all-natural green plant-dyeing techniques is now ready for craftsmanship and mass production, with gradual delivery and expanded application underway. Regarding intelligent detection of product defects, external equipment tested by multiple professional institutions has failed to meet the Company's requirements. In the detection of tube hole cracks and ball-head defects, we have made some progress through in-house development and have achieved partial implementation. However, arduous efforts are still required to overcome current production and technical bottlenecks. This represents precisely the value that the Company must pursue – and succeed in achieving.

During the Year Under Review, the Company operated with well-defined performance targets, clear strategic priorities, as well as appropriate and effective corresponding measures. As a result, the Company achieved solid growth in areas such as net retail sales and core business profitability compared to 2024, while overall corporate governance remained effective and healthy.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OFFLINE BUSINESS

For the year ended 31 December 2025, the offline team continued to steadfastly execute its core strategy of “expanding and deepening sales channels, enhancing and enriching specialty store services, and exploring and operating new retail businesses”. As a result, the offline business achieved leapfrog growth, with core performance indicators reaching record highs. POS retail sales of our offline business reached RMB847 million, representing an increase of 11.2% compared to the same period in 2024.

During the Year Under Review, the offline team pursued the objectives of consolidating channel advantages and unlocking network potential. By implementing policies that support store expansion and image upgrades, the Company added 182 new stores and renovated 161 stores over the year. We secured presence in several landmark projects, including the largest outlet mall in the country, Beijing Zhongguancun Art Park DALEONG City, first stores in Taiyuan and Hohhot MixC, and Henan Fat Donglai Angel City – achieving both quantitative and qualitative enhancement of our channel network. The group purchasing business successfully expanded into Sam’s Club and precious metals channels, opening new avenues for performance growth. With the goal of deepening service experiences and building brand loyalty, we organized the inaugural Combing Competition to foster skills exchange and learning among stores nationwide. Service offerings such as gift wrapping and engraving were adaptively refined, and the “Specialty Store Social Platform Behavior Guidelines” were formulated and implemented, embedding the “consumer-first” philosophy into operational details. Aiming to strengthen brand momentum and connect with target customers, we continued our offline marketing strategy of Group-led, store-coordinated initiatives. The “Garden of Combs” campaign was successfully launched in multiple cities including Changsha, Kunming, Guangzhou, Hangzhou, Nanjing, and Shenyang. Through a unified design language and comb-making experiences, we achieved a dual enhancement of brand communication and market performance.

Offline business will continue to deepen our symbiotic growth and mutual prosperous with the franchise teams. Through more systematic training, more precise operational support, and closer marketing collaboration, we will solidify a healthy and stable franchise system. We are committed to transforming our strategy of ‘deep cultivation and thorough execution’ into sustainable profitability at the retail side. Together, hand in hand, we will lay a solid foundation for our century-long endeavor.

1. SPECIALTY STORES OVERVIEW

For the year ended 31 December 2025, Carpenter Tan had a total of 1,301 franchised stores and 1 self-operated store in Mainland China, 6 franchised stores and 1 self-operated store in other countries and regions, and 3 self-operated stores in Hong Kong. The total number of stores was 1,312. There was an increased by 58 stores as compared to 1,254 stores as of 31 December 2024. Among them, shopping mall stores, image stores of the third generation, and Morandi image stores accounted for 73.8%, 40.7% and 58.3%, respectively.

Number of franchised stores, overseas stores and counters as at 31 December 2025

	As at 31 December			
	2025		2024	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,301	1	1,245	1
Hong Kong	–	3	–	3
Other countries and regions	6	1	5	–
Total	<u>1,307</u>	<u>5</u>	<u>1,250</u>	<u>4</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Number of franchised stores distribution in China as at 31 December 2025

Type of stores	As at 31 December			
	2025		2024	
	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	960	73.8%	875	70.3%
Street shop	217	16.7%	236	19.0%
Department store	57	4.4%	59	4.7%
Supermarket	8	0.6%	12	1.0%
Scenic spot	43	3.3%	46	3.7%
Transportation hub	9	0.7%	9	0.7%
Hotel	2	0.1%	2	0.2%
Others	5	0.4%	6	0.4%
Total	1,301	100.0%	1,245	100.0%

2. OFFLINE ADVERTISING AND BRAND PROMOTION

During the Year Under Review, the Group continued to strengthen its brand marketing initiatives and established dedicated subsidy funds for systematic, multi-dimensional offline advertising and integrated marketing promotion, effectively enhancing brand exposure and market recognition. In terms of specific implementation, the Group advanced the image development of DP points within core business circles, deployed LED large screens and light box advertisement, and actively participated in key industry exhibitions, achieving a brand presence transformation from static displays to dynamic engagements and from isolated placement to systematic presentation. Through the integration of diversified channels, the Group have not only expanded the brand's reach but also ensured the consistent delivery of the brand value. Leveraging high-quality visual content and emotive communication, the Group has strengthened users' recognition of and connection with the brand.

During the Year Under Review, "Garden of Comb" brand pop-up events were successively held in six cities, including Changsha, Kunming, Guangzhou, Nanjing, Hangzhou and Shenyang. The event prominently showcased the award-winning works from the Design Competition, limited-edition new products from the intangible cultural heritage handicraft series and comb-making art, allowing customers to experience the beauty of the products and the exquisiteness of the craftsmanship directly. With the on-site brand culture displays and explanation of production process, participants had a deeper understanding of Carpenter Tan's inheritance, inner core of craftsmanship and brand philosophy through interactions. Through the series of pop-up events, the brand awareness and emotional recognition in the regional market have been effectively enhanced, and a clearer and more appealing brand image has been established for the core customer base.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall, the advertising investment and marketing execution during the year further consolidated the brand image and position in key markets, accumulated valuable offline interaction experience for the long-term development of the brand, and laid a solid foundation for sales conversion and long-term development.

3. CONTINUOUS IMPROVEMENT ON THE CONSTRUCTION OF THE MEMBERSHIP SYSTEM

During the Year Under Review, the membership system of Carpenter Tan entered a new development stage, with significant increase in both total number and activity of our members. As of the end of the year, the total number of members exceeded 1.55 million, with 330,812 new members during the year, representing a year-on-year increase of 15.04% (as compared with 287,567 in 2024). Members' enthusiasm for engagement remained consistently high, with a total of 182,132 benefit redemption orders completed throughout the year, reflecting the members' strong recognition and active response to the brand interaction mechanism.

In the future, the offline team will further optimize the membership system, strive to improve the allocation of member benefits and service experience, and deepen the emotional connection between members and the brand through more engaging interactions and more valuable feedback, thereby providing a solid and active user base for the long-term development of the brand.

4. DIVERSE NEW PRODUCT LAUNCH

During the Year Under Review, a total of six rounds of new products were launched, with a total of 37 new products under seven series. These include 10 innovative works carrying intangible cultural heritage skills, as well as thematic series for various seasons and occasions such as Mother's Day, summer, wedding and New Year's Day. While precisely addressing market and consumer demands, the Group has continued to expand the products' emotional connotations and aesthetic expression.

Among the intangible cultural heritage handicraft series, "Hua Cai Liu Nian (華彩流年)" cloisonné enamel comb draws inspiration from the art of traditional enamel painting to reinterpret the radiant brilliance through a contemporary design. "Qi Yun Dong Fang (漆韻東方)" lacquer comb strictly adheres to traditional methods, undergoing dozens of processes to embody millennia of lacquer craftsmanship, thereby expressing oriental elegance.

The Mother's Day series focuses on emotional gifting. Through structural optimization and tooth shape innovation, the two products, "Shuxin" and "Shunyi", combine the lightness of ring combs and the thoughtfulness of haircare combs to provide a more refined massage experience. "Jingbo" and "Qiyun" further embrace the contours of the head through refined curve and tooth tip, conveying warmth and care.

The summer series features wood as its base, adorned with natural materials such as Hotan Jade and South Red Agate. The artistic conception of landscapes is incorporated into accessories such as bracelets and hairpins, balancing practicality for daily wear with stylish embellishment and adding a touch of elegance to the summer season. The scraping massage comb launched in the same period was made from new materials, with an ergonomically optimized comb shape to provide a more comfortable experience.

MANAGEMENT DISCUSSION AND ANALYSIS

The inserted comb series achieves a differentiated iteration of existing inserted comb through materials contrast and meticulous pattern design, embodying a beautiful wish of “lifelong togetherness”. The wedding-themed set features traditional auspicious motifs such as mandarin ducks and linked-wing birds, along with practical combination of a comb, mirror and haircare comb, conveying a blessing of “mirrored in pairs, flying side by side” for couples.

The New Year’s Day series draws inspiration from poetry, calligraphy and painting and outlines the comb body with fluid shape and free-flowing lines. It integrates the oriental life philosophy of “living life to the fullest with joy and contentment”, conveying a sense of calmness through the act of combing.

New products launched throughout the year consistently centered on users’ real-world usage scenarios and emotional needs. Through a themed and serialized product matrix, we continued to enrich consumer choices and strengthen the brand’s product appeal and emotional connection.



5. COEXISTENCE OF MULTIPLE STORE IMAGE STYLES

During the Year Under Review, a total of 391 stores were renovated throughout the year. Among them, the number of Morandi-styled stores, Tommy Li’s image stores and Song Dynasty aesthetics image stores was 298, 1 and 1, respectively, and the remaining stores were third generation-styled stores.

The store design created in collaboration with Hong Kong designer Tommy Li is implemented at Qinghe Mixc Mall in Qinghe, Beijing, which has now officially opened. Relevant materials and structures will undergo minor adjustment and modification during the implementation at subsequent stores. The plan will be refined and the quality of renovation will be enhanced to ensure each store presents a high-quality image to consumers, thereby enhancing the brand’s market appeal.

MANAGEMENT DISCUSSION AND ANALYSIS

The image design plan for the Song Dynasty aesthetics store in collaboration with Luokeke Company is currently underway. Currently, the Suzhou Mixc World store has completed renovation and opened on schedule. Given that the preliminary design and process are still in an unstable phase, further observation and refinement of specific implementation plan are required. The design plan for Beijing flagship store has been finalized and the preparations for renovation are currently underway.

At the same time, phased results have been achieved in the image upgrade of the third generation-styled stores (Matsumoto-styled). In the future, it will bring new vitality to the shopping mall scene, providing customers with a completely new brand experience.

6. OFFLINE BUSINESS FOCUS IN 2026

Through our franchisee team and self-owned new retail platform, we will continue to expand domestic high-quality channels and further advance store image upgrade. For core regions and key channels, we will provide market support and continuously promote the opening of new image stores and large-format stores to further enhance brand awareness across the nation. By leveraging the geographical advantages of stores nationwide and utilizing new media and other channels for brand promotion, we will reinforce the brand's irreplaceable position in the market.

We will retain existing customers and expand new customer base with high-quality products and high emotional value. In an era where consumers are becoming increasingly rational, robust product strength serves as the strongest defense against price wars and economic fluctuations. Simultaneously, the approach of extending products to visual design and consumer touchpoint will be adopted to diversify the interactions between products and consumers. We will endeavor to innovate by extending brand experience to store services, packaging designs and member interactions, thereby continuing to strengthen the cultural attributes of the brand. Wooden combs will be positioned not only as hair caring tools, but also as carriers of "health needs", "cultural inheritance" and "self-enjoyment".

Improving service level while iterating and upgrading new products to enhance the profitability of stores: In response to the external environment characterized by consumers' need for enhanced service quality and growing demand for emotional wellness products, the Group will establish standards and allocate resources to set up demonstration stores. Through online and offline training alongside store supervision, we will ensure the effective implementation of service standards. The sales team will continue to enhance support across multiple areas, including store image maintenance, sales assistant service supervision, product promotion package, after-sales value-added expansion and diversification of experimental activities, thereby strengthening the franchise system's resilience to risks.

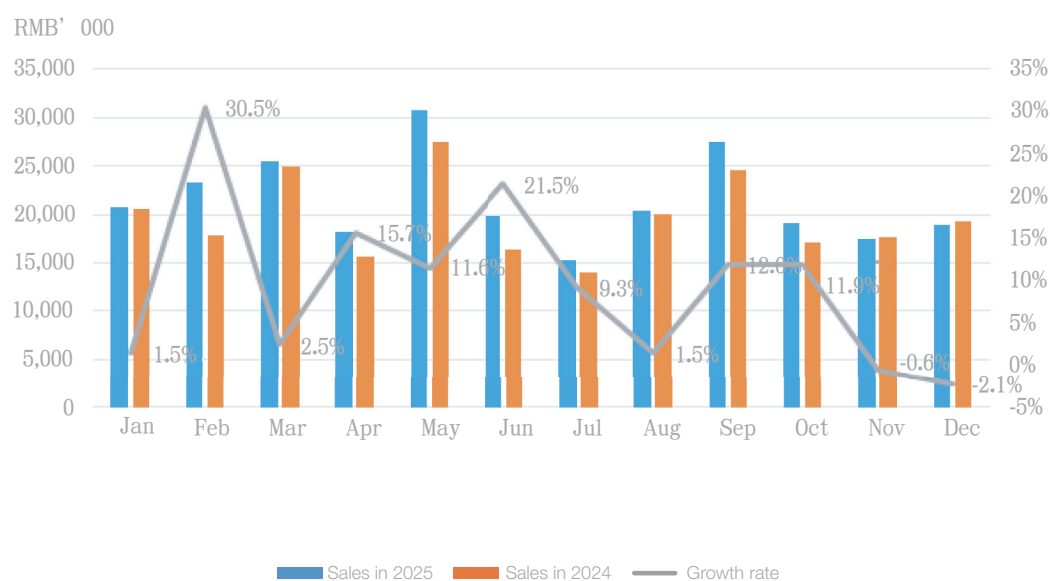
Continuously developing the brand content ecosystem and increasing live streaming frequency: We will conduct multi-channel brand promotion by integrating various nodes and organizing pop-up events, enabling consumers to experience the brand's advocacy for a positive, healthy lifestyle alongside its rich Chinese cultural heritage and craftsmanship throughout their journey of learning about the brand and using our products. The current consumer goods market has consistently demonstrated that those who are able to soothe consumers' emotions will win the market.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ONLINE BUSINESS

For the year ended 31 December 2025, the online business completed sales (including VAT) of RMB256.8 million and met 104.4% of the yearly target, representing a 9.2% year-on-year increase as compared to 2024. As the Group insisted on its price system and refrained from participating in price wars, platforms were required to remove all consumption coupons during the Double Eleven, Double Twelve, and Christmas and New Year's Day events. This led to a slight year-on-year decline in traffic and conversions during the events, which in turn led to a decrease in sales for November and December. The average monthly sales growth rate in other months throughout the year was around 11.8%.

Monthly online sales for 2025 as compared to 2024



MANAGEMENT DISCUSSION AND ANALYSIS

1. *NEW CHANNEL EXPANSION AND NEW PROMOTION METHODS*

During the Year Under Review, the online team closely followed platform development trends and actively explored operations on new channels and promotional methods, such as: (i) In February, we newly expanded to WeChat Store and maintained normal operations. The WeChat Store features a gift-sending function that allows users to forward purchased products to others with one single click. This function carries a sense of ritual, aligning well with our brand's gift-giving attribute. (ii) We actively followed up on new channels on the Tmall platform and conducted in-depth research into the Lazada-mall sales model. However, due to the involvement of overseas pricing structure, we did not establish a presence on the platform. (iii) Negotiations with the Dewu platform remain ongoing. Due to the platform's relatively high commission rates and the requirement to purchase its packaging materials for order fulfillment, we have not yet established a presence. However, both parties remain in ongoing communication to seek solutions. The platform is now willing to lower its commission rates and upgrade our brand's onboarding status. We are still in discussions about onboarding. (iv) This year, we launched a new content promotion channel – Xiao Hong Xing (a collaboration between Xiao Hong Shu and Tmall)—establishing a data link between Taobao and Xiao Hong Shu. As a content-sharing platform, Xiao Hong Shu possesses a vast user base and strong influence in driving purchases. By integrating e-commerce activities with tailored promotional strategies, combined with information flow advertising, we rapidly adjust budget allocation based on real-time data feedback to achieve “integrated brand and performance marketing”. This significantly enhanced user awareness and interest in our products, thereby increasing store search volume, traffic, add-to-cart rate and transaction volume. In 2025, through Xiao Hong Xing promotion, we achieved 849,000 reading UV, 125,000 store visit UV, and RMB 4,440,000 in GMV attributed to the channel.

2. *DOUYIN CHANNEL EXPANSION*

In terms of Douyin channel promotion, we still focused on promoting brand culture. During the Year Under Review, a total of 287 videos were published on our own account (Douyin channel), with the total number of followers reaching more than 845,000, the total account exposure exceeding 313 million and the total account interactions reaching over 5.4 million. We collaborated with a total of 39 talent accounts and published a total of 91 videos for the year (including videos distributed to other platforms), with the total promotion exposure reaching over 37.15 million and the total promotion interaction exceeding 1.84 million. We held special live streaming through our self-operated account @Carpenter Tan official flagship store during Mother's Day this year. The live streaming spanned three days, featuring themes centered around emotions, new product launches and historical culture. The overall exposure was 2.1 million. There were 180,200 views in the live streaming room, with 49,800 new followers. Annual sales from Douyin's self-operated platform reached 10.98 million, marking a 34.4% increase. An IP offline event attracted over 250 fans to participate in check-ins and content creation, with the hashtag #CarpenterTansIPsSoCute generating over 10,000 interactions.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *MARKETING ACTIVITIES*

During the Year Under Review, the online team executed a total of 15 marketing campaigns, maintaining consistent tone and execution across both online and offline activities to drive overall sales targets. In alignment with brand campaign milestones and platform activity schedules, the team coordinated and planned both on-site and off-site content promotion in advance, with relevant work deployments made ahead of time. During the campaign build-up period and the peak period, all channels spoke with a unified voice to promote simultaneously, resulting in a significant sales uplift during the campaign windows. Average daily front-end sales increased by 31.3% year-on-year.

4. *ON-SITE AND OFF-SITE CONTENT PROMOTION*

The online team centered its efforts around Carpenter Tan's woodworking craftsmanship, cultural connotations and product usage scenarios, focusing on themes such as combing, gifting and wellness. Through scenario-based storytelling, we demonstrated the close connection between our products and daily life, effectively increasing brand exposure. By leveraging influencer recommendations, we expanded brand influence and precisely targeted our intended customer base. Supported by the establishment of data analytics and user feedback mechanisms, we continuously optimized content strategies and enhanced promotional effectiveness.

During the Year Under Review, we published 147 pieces of content on Xiao Hong Shu, generating over 1.227 million clicks and more than 69,800 interactions. This drove 849,000 in-app clicks and 125,000 store visits. On-site content channels such as Tmall and JD.com published 548 short videos created by KOLs, achieving 4.836 million+ views and attracting 710,000+ visitors.

MANAGEMENT DISCUSSION AND ANALYSIS

5. DIGITAL TRANSFORMATION

During the Year Under Review, the online team has introduced an intelligent refund processing bot system, enabling 24/7 automated operations. It consistently handles over 500 refunds daily, significantly shortening the refund response cycle and substantially improving operational efficiency. Accuracy approaches 100%, effectively eliminating human error to safeguard fund security and customer satisfaction. Resource allocation is optimized, reducing labor requirements while compressing abnormal order verification time from 4 hours to under 1 hour. The entire process automatically generates records and synchronizes status updates with the customer service system, ensuring full traceability.

To enhance the customer inquiry experience and meet consumer needs for personalized services in scenarios such as delivery timeliness, marketing campaigns, product information and after-sales support, the online team has deployed and operated an advanced intelligent customer service bot. It effectively covers both platform-wide standard rules and store-specific personalized service content. Overall, nearly 80% of inquiries focus on standardized, highly repetitive areas like logistics, promotions, product information and basic after-sales support. By leveraging the intelligent customer service bot's capabilities in these core scenarios, it provides clear direction for subsequent optimization of the knowledge base structure, improvement of automated response accuracy and enhancement of service efficiency.



MANAGEMENT DISCUSSION AND ANALYSIS

6. CREATING POPULAR PRODUCTS

During the Year Under Review, the online team continued to focus on three new key products that emerged as new hit items: the hair care comb Cui Ping (翠屏), the HET ring-shaped tooth comb and the lacquer comb Xin Xiang Shi Cheng (心想事橙).

In the 2025 sales statistics, the hair care comb Cui Ping (翠屏) ranked first in sales, accounting for 8.76% of the annual sales; Xin Xiang Shi Cheng (心想事橙) ranked ninth, accounting for 1.76% of the annual sales; and the HET ring-shaped tooth comb ranked thirteenth, accounting for 1.53% of the annual sales. The sales volume of these three items surpassed those of Que Ling II (雀翎二) (which accounted for 1.26% of the annual sales) and Lianyu (which accounted for 1.33% of the annual sales), all reaching the targeted level of popularity.

7. Tmall LIVE STREAMING

During the Year Under Review, the online team's in-store live streaming promotions generated total transactions of RMB21,227,000, representing a 3% year-on-year increase as compared to 2024. The annual penetration rate was 10.1%, achieving the annual penetration target. Total live-hosted streaming hours amounted to 2,840 hours, reflecting a decrease of 1 hour as compared to 2024, and ROI was improved.

Live streaming GMV growth was primarily concentrated in the first half of 2025 (January-June), with growth slowing and showing a downward trend in the second half of the year. The platform promoted consumer vouchers this year to boost daily sales, extending coverage into regular-sales periods. In the fourth quarter (October-December), platform activities became frequent. Merchants and live streaming that offered no discounts were relatively disadvantaged in voucher-driven purchase scenarios, and conversion rates showed no growth during promotional periods. At the same time, without relevant mechanisms to attract traffic, live streaming became overly reliant on brand exposure and inherent product conversion rate, indicating that the current growth mechanisms for live streaming were somewhat inadequate.

In 2025, live streaming attracted 3.02 million viewers. Although in-stream traffic declined by 3% year-on-year, click-through rate for promoted products increased by 2.4% and the number of users clicking merchant links rose by 12%. This growth was mainly attributable to dedicated GMV promotion campaigns, which unlocked exclusive traffic incentives, reaching 687,000 viewers and accounting for nearly 23% of total views. This indicated that precision was more effective, than broad traffic, elevating the overall value of livestream traffic by 7% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

8. *ONLINE BUSINESS FOCUS IN 2026*

We aim to achieve a leap from “online sales” to “online brand asset accumulation”. We will plan and execute 2026 marketing activities focused on elevating the brand and implementing refined operations, continuously converting online traffic into lasting brand equity. Our priority will be operating the “membership system” to boost repeat purchases from existing customers through targeted engagement with core audiences such as 88VIP and PLUS members. We will develop different marketing strategies and platform-exclusive offerings based on the characteristics of each platform. In our communications, we will emphasize “craftsmanship demonstrations” and “immersive experiences”, such as using short videos and live streaming to showcase the unique features of wooden combs. We will use short-video product links and search-placement tactics to capture broad audiences interested in Guochao, gifting and wellness. We will leverage data analysis to provide proactive care for users and build long-term ties between our brand and users.

Regarding Douyin promotion, we will continue to deepen our brand promotion. Through systematic operations, we will establish “IP Xiao Tan” as a core brand asset of Carpenter Tan. We will further embed the idea that “every woman deserves a good comb”, transforming the definition of a “good comb” from a “daily commodity” to a “daily life experience”. Aligned with the characteristics and needs of themed marketing events, we will use influencer promotions to raise brand awareness and drive traffic, while also supporting offline store sales. For IP account content operations, we will operate both the official flagship store and interest-based accounts, centering content on the brand IP and establishing content sections closely related to Carpenter Tan’s brand and products, so as to solidify our market position and equate a good comb with Carpenter Tan. For material production, we will feature our brand IP characters (Xiao Tan and Panda Tan-Tan) as protagonists to create online promotional assets (videos, posters, stickers/emojis and other formats) and extend these materials for use in offline promotions.

We will expand Dewu platform to increase vertical sales opportunities. Dewu, as a next-generation online community for trendy shopping, gathers young users who are passionate about “Guochao”, “design aesthetics” and “quality lifestyle”. We expect that, through this platform, Carpenter Tan will accelerate its youth-oriented transformation, positioning the brand as a “Guochao collectible” favored and shared by Gen Z.

MANAGEMENT DISCUSSION AND ANALYSIS

We will optimize our online product system by upgrading product scenarios and completing a product-tiering system across online and offline markets. For the core online use scenarios of “self-use” and “gifting”, we will prioritize developing items such as minimalist, stylish “business light-gifts” suitable for workplace exchanges, as well as compact, aesthetically pleasing “self-reward gifts” designed for women to indulge themselves. Using Tmall platform’s data bank, we will create bespoke gift sets for different customer groups (e.g., newlyweds, workplace newcomers and seniors). We will employ AI data tools to analyze social-media viral elements, consumer feedback and competitor’s strengths, empowering designers to innovate product forms, ensuring new products preserve artisanal quality while aligning with current aesthetic trends.

For Tmall live streaming, improvements will be made in the following areas: (1) implement a “daily standardization + themed-events” strategy; (2) improve the streamer team; (3) optimize live streaming strategies by maintaining foundational, light-touch interactions while adding initiatives such as giveaways, lucky bags, red-packet showers and hidden livestream perks to boost conversion rates. Additionally, we may launch themed activities such as “new-product validation” and “packaging suggestions”, delegating certain activity decision-rights to fans. We will also establish a dedicated livestream feedback channel to collect product-related and after-sales issues during live streaming and relay them to the brands for collaborative improvement.

We will leverage AI search and recommendation tools to increase the brand’s visibility within AI systems and to recommend the brand to users with relevant needs, thereby strengthening brand presence in demand scenarios and embedding brand awareness into users mindsets. From the perspective of consumer needs, we will use AI to generate additional brand interaction opportunities. We will analyze the brand’s core themes, key phrases and the visibility of buyer AI search queries, and then optimize the brand’s content presence within AI environments to increase AI mentions of our brand and to fill content gaps and address deficiencies.

We will establish a customer experience management system to collect platform, industry and consumer data, converting them into actionable product optimization directives and service improvement strategies to enhance e-commerce services and product optimization. Leveraging the omnichannel data of the CEM, we will provide real-time alerts on negative feedback and enable prompt intervention. We will synchronize high-frequency pain-point data with the design team to drive product design optimization. Additionally, we will leverage CEM’s quality inspection capabilities to conduct a thorough analysis of customer service dialogues, refining exemplary cases into standard “golden scripts” to improve overall service quality.

MANAGEMENT DISCUSSION AND ANALYSIS

III. OVERSEAS BUSINESS

For the year ended 31 December 2025, our offline overseas business recorded a total shipment of RMB4,293,000, representing a year-on-year increase of 16.8%. The sales of cross-border e-commerce platform amounted to approximately RMB1,087,800, with a year-on-year increase of 8.8%. The self-operated stores and online platforms in Hong Kong achieved a total sales of HK\$4,841,000, representing a year-on-year increase of 13.43%.

MARKET EXPANSION

1. At the end of October 2025, a new-generation image store called “Handcrafted Artistry”(手心藝序) designed by renowned Hong Kong designer Tommy Li’s team successfully opened at Festival Walk in Kowloon Tong, Hong Kong. The mall’s positioning, the store location and the new store image represented a significant effort by the Carpenter Tan brand to reshape and elevate its identity in the Hong Kong market. On the day of the opening ceremony, we invited dozens of local Hong Kong media outlets to participate and report on the event, ensuring effective localized promotion.
2. In mid-November 2025, we successfully opened our first self-operated store in the Singapore market at VIVO CITY shopping mall. Starting from scratch, we registered the company, set up bank accounts, recruited staff, selected the store location, engaged in business negotiations and prepared for renovations. The successful launch within just a few months was a testament to our long-term efforts and accumulated experience, demonstrating the Company’s capability for rapid expansion in overseas markets.
3. In 2025, the former franchise store in Canada closed due to rising rent. In August, we opened a new Morandi image store at CF Markville Mall in Toronto, Canada.
4. In October 2025, we opened our second partnership store in Mid Valley, Kuala Lumpur, Malaysia in collaboration with our former joint venture partner.



MANAGEMENT DISCUSSION AND ANALYSIS

CROSS-BORDER E-COMMERCE BUSINESS

1. In 2025, we undertook significant adjustments and upgrades to our U.S. official website, rebuilding it to optimize the shopping experience and enhance our brand image. We also activated the new domain www.tanmujiang.com to maintain consistency in brand exposure. The new website showed notable improvements in visual appeal, content depth and user experience, laying a solid foundation for subsequent omnichannel promotions and helping to reach target users with a more complete and professional brand image.
2. The development goals for overseas warehouse sites established at the beginning of the year have been temporarily postponed due to adjustments in U.S. tariff policies.

OVERSEAS EXHIBITIONS

In March 2025, we participated in the ASD Market Week in Las Vegas, USA, followed by the 100th Tokyo International Gift Show in Japan in September and the Kuala Lumpur Forum in Malaysia in December. We effectively attracted local foot traffic through activities such as handcrafted wooden comb DIY workshops, interactive painting experiences and souvenir gifts, thereby enhancing our brand influence. We also invited creative designers to deeply participate in overseas exhibitions, contributing to our accumulated insights for future product development.

OUTLOOK FOR OVERSEAS MARKET IN 2026

1. We will strengthen the operational management capabilities of our self-operated team, using the Festival Walk store as a benchmark to expand new stores in Hong Kong, and strive to achieve overall profitability target in the Hong Kong market by 2026.
2. We will enhance employee training at our self-operated store in Singapore to achieve single-store profitability as soon as possible, and consolidate existing resources to expand into a second self-operated store.
3. U.S. Amazon and DTC business will cooperate with the new generation of operating companies to deeply participate and learn, laying a solid foundation for establishing an in-house team in the future.
4. In response to changes in the international landscape, we will implement a strategy to reduce costs for overseas exhibitions without compromising effectiveness.
5. We will focus on refined operations across various markets, including but not limited to the development of localized products and packaging, promotional content for holiday seasons, social media management, offline advertising, and communication through KOL and new media.

IV. INNOVATIVE RESEARCH AND DEVELOPMENT

During the Year Under Review, the creative R&D team focused product development efforts on structural innovation and restructuring, innovative applications of intangible cultural heritage craftsmanship, material integration and product system expansion, co-branding collaborations, packaging system upgrades and targeted development for overseas markets. We continuously increased R&D investment in new structures, new craftsmanship, new materials, new designs and new markets. By embedding emotional connections and cultural significance within our products, we closely aligned with diverse consumer needs. Through systematic innovation, we consistently enhanced product competitiveness and brand influence.

As of 31 December 2025, we completed the design and development of 17 projects for new products and launched a total of 89 new products. Out of 20 trial-marketed and evaluated products, 15 have been converted to regular products, while the status of the remaining products is pending.

1. *NEW STRUCTURE*

Tooth hair-care comb project: we restructured the existing ring-shaped tooth comb and hair-care comb. Building upon the strengths of the above two comb products, we matched ball tooth and torch tooth to cater to the needs of different consumer groups. Both new products, “Shuxin” and “Shunyi”, ranked among the top 50 in outbound sales for 2025.

The wooden bead embedded in the hair care comb handle features an innovative design that includes a freely rotating “Fu” character wooden bead in the standard comb handle. This allows users to easily move the bead before and after combing, enhancing the product’s visual appeal and adding an element of fun.

2. *NEW CRAFTSMANSHIP*

In 2025, we launched over ten new intangible cultural heritage products featuring traditional lacquer craftsmanship, cloisonné craftsmanship, and bone and wood inlay craftsmanship. The “Hua Cai Liu Nian (華彩流年)” cloisonné comb drew inspiration from traditional glaze painting art, reimagining its luminous splendor through contemporary design. The “Qi Yun Dong Fang (漆韻東方)” lacquer comb adhered to ancient techniques, undergoing dozens of processes to encapsulate millennia of lacquer artistry within its form, embodying Eastern elegance. The bone and wood inlay new products utilized optimized composite wood comb shapes, enhanced with cow bone inlays, resembling the dappled forest shadows on mountains and gentle boats floating on emerald waves. This design evoked a landscape painting aesthetic of “distant peaks and sparse woods” while subtly conveying the poetic imagery of “a single leaf boat”. Our creative R&D team continuously expanded the boundaries of intangible cultural heritage craftsmanship, honoring heritage with artisanal dedication and fostering innovation to rejuvenate the intangible cultural heritage craftsmanship.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *NEW MATERIALS*

We innovatively combined materials of South Red Agate and Hotan Jade with sandalwood and small-leaf rosewood to create a series of high-end new Chinese-style accessories, launching four new products. By consistently maintaining our innovative vitality, we continually updated and expanded the accessories based on market demand to encourage repeat purchases. This approach addressed the shortcomings of traditional bracelets such as limited material variety and overly dark colors, so as to make products looked exquisite and beautiful.

4. *JOINT PRODUCT DEVELOPMENT*

We successfully launched 13 new products of the “Family Affection Series” and “Time Series” in collaboration with Hong Kong illustrators Thomas Siu and Li Chi Tak, completing the transformation of product and packaging design. This series employed their distinctive simplistic lines and vibrant colors to depict scenes that represented the essence of “home” in the designers’ mind, reshaping deeply held emotions. The portrayal of family, love and friendship aligned perfectly with the emotional connections emphasized by the Carpenter Tan brand. The stories depicted by these combs were, in essence, our own stories.

5. *OVERSEAS MARKET-ORIENTED PRODUCT DEVELOPMENT*

Considering the cultural customs and natural scenery characteristics of the Southeast Asia region and in response to the demand for supplementing beard comb in the North American market, we developed products tailored for the Southeast Asian market and beard comb products tailored for the North American market respectively. This development aimed at meeting the needs of consumers in overseas market and facilitating the expansion of our brand’s overseas business.

6. *DESIGN UPGRADE OF NEW PACKAGING SYSTEM*

In early 2025, we collaborated with Tommy Li to focus on packaging as the primary theme, extending to various packaging models to complete the implementation, prototyping and cost estimation of the full packaging system. Two illustrated collaboration series have already adopted this new packaging system. In 2025, we also completed the design exploration for the full packaging solution based on the Song Dynasty aesthetic concept “combs as mountain ranges, hair as flowing rivers” proposed by the Rococo design consultants, and subsequently executed the full implementation of their proposed packaging solution.

MANAGEMENT DISCUSSION AND ANALYSIS

7. DEVELOPMENT PROSPECTS AND PROJECTED OUTCOMES FOR KEY NEW PRODUCTS

In 2025, the creative R&D team focused on new product initiatives that possessed broad development prospects and profound brand value. The new structural products ingeniously reorganized the core strengths of existing mature comb designs while incorporating diverse tooth configurations. This integration achieved a comprehensive combing functionality and precise coverage of diverse user needs, positioning these products to consolidate and expand their leading status in the practical comb market, thus creating a clear matrix advantage for the product line.

The new craftsmanship project deeply integrated intangible cultural heritage with modern design aesthetics, not only creating a unique high-value product line but also significantly strengthening the brand's cultural depth and craftsmanship moat. This became a core asset for the brand's differentiated competitive advantage.

The application of new materials successfully expanded the high-end accessories market by integrating diverse materials such as jade and precious metals. Its refined new Chinese style is expected to attract a broader consumer base, breaking traditional category boundaries and driving sustainable growth momentum for the brand. Overall, these key new products will simultaneously drive the brand's development across three dimensions, including functional integration, cultural heritage and material innovation, propelling the brand towards a higher value segment and deeper cultural level.



MANAGEMENT DISCUSSION AND ANALYSIS

8. *INNOVATIVE RESEARCH AND DEVELOPMENT OUTLOOK*

The creative R&D team will systematically advance product innovation and brand upgrading, focusing on the core strategies of “premium development, systematic construction and autonomous leadership”. On the product side, the team will focus on deeply exploring traditional craftsmanship and cultural empowerment while strictly controlling the quality and quantity of new products, aiming to create hit products that combine market competitiveness with cultural value. Concurrently, the team will optimize the product structure and material application system, enhancing independent R&D capabilities for functionality and style, driving products toward a series-based and differentiated developments. On the brand and visual level, the team will comprehensively adopt and deepen the application of new brand super symbol, establishing a scenario-based visual system that covers all channels. The team will also complete the modular and series-based upgrade of the packaging system, strengthening strategic cooperation and efficient conversion of IP resources, thereby comprehensively enhancing brand recognition and market influence.

At the same time, the creative R&D team will establish a regular learning and communication mechanism, deepen front-to-back collaboration and encourage designers to engage closely with frontline suppliers. This approach will comprehensively enhance the team’s professional competence and practical skills. In terms of creative protection, the team will further strengthen the comprehensive management of intellectual property, strictly implementing pre-patent reviews and compliance audits to build a solid defense for innovation. This will ensure the originality and security of design outcomes, providing robust support for the Company’s long-term sustainable development.

V. PRODUCTION TECHNOLOGY

During the Year Under Review, adhering to the principle of “making full use of our human resources, and training employees to be diligent and capable”, the production organization team continued to promote cost reduction and efficiency enhancement. Through various measures such as promoting multi-skilled roles, fostering factory collaboration, facilitating personnel and product adjustments, upgrading equipment to enable multi-category processing on a single machine, continuously optimizing processing workflows and improving employees’ production environments, we effectively ensured the fulfillment of market orders. While steadily promoting safety stock replenishment, we were also able to meet the guaranteed fulfillment of contingency bulk orders and new product orders in a timely manner. Throughout the year, 5.8857 million pieces of products were delivered, with 6.13 million pieces shipped in total.

We continued to promote the improvement of the image, humanities and environment of Wanzhou factory through the completion of barrier-free staff dormitory renovation, R&D of barrier-free equipment, and the construction, replacement and installation of barrier-free facilities (such as dormitory corridors and passenger elevators in factories). We also completed the canteen image renovation, the design of the factory image enhancement plan, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

The innovation and improvement of process and equipment technology mainly included:

We completed the quality improvement, renovation and expansion project of B2 coating line, which systematically improved and resolved the spraying and coating quality issues and repeated rework problems during product processing caused by working environment factors in the original spray booth. Environmental emissions consistently met standards with significant improvement, and employees' working environments were noticeably enhanced.

By switching to water-based paint, the Company gradually resolved issues of coating delamination and peeling caused by insufficient adhesion of lacquer-coating in certain products, which has also improved environmental levels and further safeguarded employees' occupational health.

The Company fully operated the northern area of the new factory and completed the relocation of the processing production line of the material factory, which also led to the completion of the optimization, integration and adjustment of some production processes.

The project of automatic profile milling technology for comb blanks achieved one-time clamping of the comb blank, with equipment production efficiency reaching 300 pieces/hour, which has significantly reduced the intensity and difficulty of operations for employees. The equipment is now entering mass production.

The automated polishing technology project for inserted combs completed the improvement and optimization of the prototype equipment, fully achieving the goal of reducing the difficulty and intensity of operations for employees. The project has now entered the pilot production verification and acceptance phase.

The wood conditioning technology project completed the parameter testing of process technology for wood boards exceeding 22 mm in thickness, and conducted the market verification of the conditioning effect of Guibourtia tooth blocks again, achieving the target effect of improving the weathering stability of jointed wood structure products.

The patina process technology project for wood combs completed the patina process trials for notched and jointed wood products made from three premium wood types – black rosewood, baphia wood and red sandalwood, achieving the surface patina effect. The project is currently conducting patina process trials on individual components of the baphia wood ring combs.

The natural plant dyeing processing technology project for wooden combs completed pigment extraction from nearly 30 kinds of natural herbaceous plants and comb dyeing trials. The project has developed five light-toned plant dyed products. After approximately one year of comparative color fading verification under natural conditions, the new technology has successfully achieved the target effect of significantly slowing down the rate of color fading.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. AFTER-SALES REPAIR

In 2025, we repaired a total of 283,722 products, representing a year-on-year increase of 15.4% compared to that of 2024.

Since the establishment of repair stations, after-sales repair team has been learning from mistakes and summarizing experience. Through continuous improvement and refinement of service quality, the team has reduced the amount of customer complaints and improved our reputation. The main measures are as follows:

1. We address issues at the source. Repair stations inspect repair items upon receipt. If the repair requirements do not match the actual product conditions, we shall notify the customers in advance. If the issue is beyond the scope of repair, stations shall negotiate with the customer or the specialty store. Problems should be communicated in advance and customer opinions should be sought frequently to meet customer needs within the scope of feasible repair.
2. We strengthen the skill development of employees to maximize repair standards while ensuring that tasks are completed. Combs should not only be repaired to a usable condition, but also be handled with minimal damages or wear to the product pattern, thereby reducing customer complaints about the appearance after repairs.
3. We intensify post-repair inspection efforts. The repair team leader conducts a full inspection of the repaired products, with each product undergoing a separate comprehensive inspection. The supervisor conducts a random re-inspection of the products before they are returned to the store and the quality inspection administrator of the logistics center conducts a sampling inspection on the repaired products every week. Any defective products discovered during the random inspection shall be immediately reworked and rectified. Photos and descriptions of the reworked products should be shared with the internal work group for all employees of the repair stations to learn from, aiming to prevent similar situations from occurring again.
4. In 2025, we updated, adjusted and supplemented the list of “Return, Exchange and Repair Service for Specialty Stores”, which clearly outlined the specific repair marks that exist during repairs. Through prior public notice, customers’ complaints about dissatisfaction with the repair results have been reduced.
5. We conduct random inspections of authorized repair stations and provide technical support and other services at the same time. Authorized repair stations that receive valid complaints for 2 consecutive months will have their authorization revoked.

There is currently a certain gap between our repair services and customers’ expectations of a perfect repair experience. We strive to infuse greater care and attentiveness into our services so that every repair reflects the dedication and professionalism of Carpenter Tan, further elevating our after-sales repair work and enhancing the Company’s brand image.

VII. BRAND BUILDING

During the Year Under Review, the industry standard for “Comb and Brush”《梳篦》, revised under the Company’s leadership, was officially released, replacing the previous version issued in 2013. This update marks a significant step forward for China’s comb and brush industry in terms of product specifications, quality control, and process innovation.

Organized by the China Brand Building Promotion Federation and the China Appraisal Society, and undertaken by units including the Xinhua News Agency Brand Work Office and China Brand magazine, the “2025 China Brand Value Evaluation Information” was officially released. Chongqing Carpenter Tan Handicrafts Co., Ltd was honored to be included on the list, ranking 38th in the Independent Innovation category. This recognition not only affirms Carpenter Tan’s years of dedicated efforts and relentless progress but also powerfully demonstrates its brand value and market influence.

At the “2025 China Gifts Industry Development Forum” successfully held in Hefei, Anhui, six products from Carpenter Tan were selected for the “2025-2026 China Gifts Industry Promotion Plan Recommended Product Catalog”.

At the “2025 China Tourism Commodity Competition” organized by the China Tourism Association and undertaken by its Tourism Commodity and Equipment Branch, Carpenter Tan’s product, the “Customized Gift Box: Impressions of Chongqing”(“定制禮盒重慶印象”), was awarded the Silver Prize.

At the 11th “Purple Gold Award” Cultural Creative Design Competition, Carpenter Tan’s “Rhythm of Combs and Landscape”《梳韻山水》 series of wooden combs received the Excellence Award in the Cultural and Creative Products Comprehensive Competition for their unique cultural connotations and artistic design.

The Intangible Cultural Heritage Comb Industrial Design Center of Chongqing Carpenter Tan Handicrafts Company Limited was rated as a Chongqing Municipal-Level Outstanding Industrial Design Center. Carpenter Tan also stood out among numerous outstanding brands and was successfully shortlisted for the “Chongqing Gifts (Yubanli)” Chongqing TOP 10 list of Fine Crafts, underscoring the brand’s benchmark status in Chongqing’s local manufacturing and cultural creativity sectors.

During the Year Under Review, the Carpenter Tan “Garden of Combs” pop-up event reopened with a more youthful and artistic image, featuring four themed sections that comprehensively presented the Carpenter Tan brand essence: the raw wood material display area showcased a selection of Carpenter Tan’s raw wood materials accompanied by explanations of the crafting techniques, allowing visitors to intuitively appreciate the natural gifts and artisan wisdom behind “the birth of a wooden comb”; the classic works exhibition area displayed Carpenter Tan’s most beloved comb masterpieces from over the years, including products from the Carpenter Tan Design Competition, co-branded products, carved image products, and ceremonial wedding combs, highlighting the brand’s innovative interpretation of traditional culture; the comb-making experience area enabled visitors to participate hands-on in the comb-making process starting from a small comb blank, allowing them to experience the delicacy and focus of the artisan spirit and create a personalized emotional keepsake; and the combing experience area featured professional technicians providing combing experiences, conveying the healthy lifestyle concept of “a comb as a gift, soothing both body and mind”, with many participants remarking on how “combing can be so relaxing”.

MANAGEMENT DISCUSSION AND ANALYSIS

The event featured emotional message cards and matching packaging centered on the themes of “family love, friendship, romance, and self-love”, allowing customers to select a theme and imbue their wooden comb with emotional significance. Over 60% of on-site participants chose the “self-love” card, reflecting contemporary consumers’ emphasis on self-care. Ms. Gu, who took part in the comb-making experience, remarked: “Making a comb for myself is a reminder to treat myself well every day”.

From the warm, bustling charm of Changsha, to the springtime romance of Kunming; from the Lingnan allure of Guangzhou, to the poetic plane trees of Nanjing; from the osmanthus showers of Hangzhou’s Manjuelong, to the first snow on Shenyang’s Zhongjie Street – with just a single wooden comb, the “Garden of Combs” weaved together the tender memories of cities.



In October 2025, the “Beauty of Zhepei: 10-Year Achievement Exhibition of the Carpenter Tan Design Competition” debuted at the Hangzhou Cultural and Creative Expo under the theme “Through Design: Tracing Tradition, Towards the Future”. The exhibition showcased representative works from the competition’s initial exploration in 2015 to the AI wave of 2025, allowing visitors to directly experience the evolution of design styles, tools, aesthetics, technologies, as well as the innovative concepts behind them over the decade.

What the changing times have brought is far more than a diverse array of design works; it reads like a condensed history of wooden comb design evolution: From early representational symbolism, to the mid-period balance between modern aesthetics and functional utility, and then to the recent deep integration of design with traditional culture – the conceptual designs accumulated over this decade have, through the process of 3D prototyping or physical sampling, transformed from “ideas on paper” into “tangible embodiments of craftsmanship”. Each exhibit reflects the design trends and innovative directions of its respective era, while also mirroring the public’s escalating demands for everyday objects— from “utility” to “aesthetics”, and onward to “spiritual resonance”.

MANAGEMENT DISCUSSION AND ANALYSIS

The exhibition also specially hosted the “Craft Without Borders, Design in Symbiosis: The Beauty of Zhepei Exchange Salon”. Multiple guests shared their unique insights on design, craftsmanship, and cultural heritage, drawing from their own practices and reflections. Tommy Li, a renowned brand designer from Hong Kong, proposed that “subtraction thinking” is key to brand breakthroughs. Using Carpenter Tan’s brand upgrade – simplifying its Logo, downplaying textual identifiers, and focusing on core craftsmanship – as an example, he illustrated that how stripping away redundant elements clarifies a brand’s DNA. Wei Jia, Chairman of LKK Innovation Design Group, noted that the after 200 years of the industrial era, products today require not only functional value but also emotional value – a pursuit inseparable from design and art. In his view, beauty is a life aspiration for everyone, and the outstanding works from the 10-Year Carpenter Tan Design Competition Exhibition precisely embody the pursuit of enhancing life’s beauty.

Design is not only an art form, but also an attitude and a way of life. We hope that more designers, design enthusiasts, and members of the community will follow, appreciate, and participate in the Carpenter Tan Design Competition – moving forward together, mutually empowering one another, and making friends through a single comb.

As an important part of Carpenter Tan’s brand culture development, a total of 408 brand stories and 47 outstanding stories were collected throughout the year via the “Shu Xiang Lun Tan” mini program. Below are two of these outstanding stories:

PASSING MORE THAN JUST A WRAPPING PAPER

On an ordinary winter day, I looked at the mountain of gift-wrapping orders piled before me, my palms slightly sweating. There were far too many exquisite wrapping orders – well beyond what we could handle. It was clear we wouldn’t be able to finish them that day. Just then, Tang Yimeng said, “Every order is a promise we make to our loved ones. Why not bring them to our workstations and invite the customer service team to wrap together? They’ll be happy to help.”

“I... I’ve never wrapped such a formal gift before. What if I mess it up?” confessed Xiao Chen, a customer service staff member, her voice tinged with unease. Tang Yimeng smiled and pulled over a chair: “You’re being very honest. Come on, don’t worry, I’ll teach you. You see, our wrapping has never been just about packaging – it’s about delivering the first ‘touch’. When we treat our customers like family, they will feel our sincerity.” Then Tang Yimeng patiently taught Xiao Chen how to fold the sharpest edges without damaging the paper. As she demonstrated, she said, “See, gently guide it with your fingers like this. Don’t press too hard. Paper has a life too. It can feel your gentleness.” Chen Xi also showed how to tie the ribbon into a beautiful bow: “My mother taught me this. She said every knot is a blessing – the more attentively you tie it, the longer the blessing lasts.” She then held colleague Xiao Song’s hands and guided her through the process, letting her slowly feel the ribbon flow between her fingertips. The others watched and learned attentively. Operations and customer service staff joined in, juggling their tasks while finding time to complete the wrapping. Techniques were passed from one person to the next; wrapping paper was handed from hand to hand. After an afternoon of working together as a team of over a dozen people, we finally wrapped all the gifts for the day. We believe that when customers receive the products, they will also feel this genuine emotion.

In the warm family of Carpenter Tan, we don’t just package goods – we wrap heartfelt intention and emotion; we don’t merely deliver merchandise – we convey warmth and service. Here, the most beautiful sight is not the dazzling transaction figures dancing across the back-office data screens, but rather the sight of one person guiding another, one pair of hands teaching another, showing how ordinary work can be transformed into a touch of care; how a simple knot can be tied into a blessing that can be passed on to our dear family members. A daily routine – ordinary yet warm, simple yet profound – through every act of teaching by word and example, craftsmanship and kindness spread like wood grain, flowing like spring water. (E-commerce Division: Wan Chen)

MANAGEMENT DISCUSSION AND ANALYSIS

HONESTY

In late July, eight deaf-mute employees from Workshop A1 of the Wanzhou Factory went to Fushide Fat Hot Pot for a group meal. After finishing their meal, Qin Yong went to pay the bill. During this time, they chatted with the restaurant owner for about half an hour before Qin Yong settled the payment and joined everyone at Wanda Plaza.

Since they always split the bill evenly, when Qin Yong was collecting money from his colleagues, he realized that the RMB670 payment hadn't gone through. He immediately rushed back to the hot pot restaurant, found the owner, and explained that they hadn't successfully paid after dining. At first, the owner was skeptical, but after checking, he confirmed that the payment had indeed failed. Seeing the deaf-mute employees wearing Carpenter Tan work uniforms, the owner was deeply moved. That evening, after closing, he posted a special thank-you video on his video channel, explicitly stating that all Carpenter Tan employees dining at his restaurant would receive a 12% discount going forward. (Wanzhou Factory: Fu Qiaoying)

VIII. HUMAN RESOURCES AND COMPREHENSIVE GOVERNANCE

Adhering to the governance philosophy of “Being honest and kind, encouraging innovation, allowing trial and error, embracing tolerance but not indulgence and not permitting repeated basic mistakes”, the Company promptly identifies, points out, and punishes inappropriate thoughts and behaviors. Whether they are internal violations of job evaluation rules, production safety requirements and codes of conduct, or problems such as the lack of service philosophy in specialty stores, inadequate services and unauthorized online sales with discounts, the Company has addressed these matters through formal talks, admonishing and public announcements. In 2025, the Company internally investigated and issued public criticisms across 6 cases involving a total of 13 individuals in 5 departments for issues including inadequate “6S” implementation, plagiarism in job evaluations and improper handling of public opinions, while issuing public commendations to 4 departments.

For the behaviors of specialty stores in Guangzhou and Yiwu that lacked empathy, failed to provide warm customer service, violated the service philosophy of “customers are our family”, and harmed customers and the brand, the Company imposed penalties such as deduction of credit deposits and store closures. The Company imposed categorized disciplinary actions and made public announcements in respect of five franchisees in Chengdu, Shanghai, Nanchang, Wuhan and Loudi for violations such as unauthorized online sales and price discounts. Penalties included deductions of credit deposits, store closures upon contract expiry and fines. The Company will continue to refine the management contracts for its franchise system and intensify penalty efforts. For cases with malicious nature where a single franchise store provides poor service, breaches contract terms, or commits serious violations of regulations, the Company will establish a categorized disciplinary protocol for handling such cases, including investigation and punishment of single stores, rectification within a specified time limit, closure of single stores, and withdrawal from the franchise system, which ensures that the franchise system complies with regulations and operates in a healthy manner and prevents the Company from unexpected risks. At the same time, the Company will also improve the primary accountability mechanism for regional managers and franchise owners, ensuring full compliance with the Company's service standards all the way to the last mile at stores.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has always upheld the core values of “honesty, hard work and happiness”, and adhered to the ethical standards of “kindness, humility and craftsmanship”. To deeply implement the “Twelve Principles of Work”, through collecting themed short stories on “honesty, principles, responsibility, customers as our family” and other topics, the Company brought to light both our successes and shortcomings in work and daily life, as well as the conflicts and resonances between personal beliefs and the Company culture. Throughout the year, we collected a total of 408 short stories, of which 47 were selected as outstanding. These stories ranged from “Passing More Than Just a Wrapping Paper”, where e-commerce colleagues worried about customers’ dissatisfaction, to “Honesty”, which is about a deaf-mute employee who, upon discovering the failure of a group-meal payment, went back to complete it as well as “We Take Customer Repairs Seriously”, which illustrates our commitment to quality assurance in after-sales repairs. By presenting these short stories of brand culture, we aim to reveal a broader picture – reflecting various aspects of employees and the Company. This initiative promptly evokes resonance, draws attention to and corrects deviations, and promotes positive energy, striving to guide both employees and the Company towards an upward and virtuous direction. Building a clean and upright corporate culture is always an ongoing journey for us.

We promoted employee engagement with the Company, encouraging them to offer suggestions for the Company’s development. As key measures to propel the Company towards higher and better achievements, we continued to advance initiatives that motivate employees at all levels to submit rational improvement suggestions and foster autonomous changes and innovations. In 2025, we received a total of 1,061 rational improvement suggestions, of which 328 were adopted, achieving an adoption rate of 30.91%. A total of 19 Change and Innovation Awards, 4 Change and Innovation Star Awards, 5 President’s Awards, and 1 Technical Progress Star Award were presented. These suggestions included optimization adjustments to the sizes and specifications of small-size packaging bags and two types of car accessory tote bags proposed by specialty stores, with these simple and practical changes eliminating inventory backlog and reducing overall costs. Additionally, employees from the Wanzhou factory proposed replacing screw-fixed cutting molds with bushing-adjustable positioning, lowering boiler steam pressure to prevent excessive heat from affecting material drying quality, restoring hang-tag notices about product weak points, etc., which effectively improved production efficiency and processing quality. These all are excellent suggestions demonstrating how a small idea can bring about significant improvements. The independent development of electronic contracts and an intelligent finance and tax collaboration platform, and the revision and release of industry standards effectively advanced the Company’s management optimization, efficiency enhancement, risk prevention, brand elevation, and commitment to training employees to be diligent and capable. By changing the log sawing method and implementing precision processing, the material utilization rate increased by over 15%, achieving cost reduction and resource conservation, which is truly remarkable.

We continued to intensify efforts to regulate the market and protect rights, ensuring the sustainable and healthy development of the retail market and franchise system. Throughout the year, the Company collected 60 cases of violations and illegal acts, with evidence gathered and preserved for 60 cases. In 2025, 39 cases filed before 2025 proceeded to claim resolution, with an awarded compensation of RMB594,600. As the Company intensifies its internal and external market rectification efforts, while ensuring compliant, honest and lawful operation of the offline franchise system, the Company will continue to escalate crackdowns on illegal online sales, sale of counterfeit, shoddy products as well as trademark-infringing white-label products, rigorously enforcing the principle of “swatting both tigers and flies” in order to further safeguard the market operating environment and brand reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has remained committed to promoting and safeguarding the employment of the disabled, constantly improved and enhanced the conditions of venues and facilities for the rehabilitation of the disabled, and further improved the barrier-free production and living facilities in a more people-oriented and humane manner, so that more people with disabilities could come to the Company, fully demonstrating the Company's humane care and commitment to social responsibility. During the Year Under Review, the Company completed the construction of barrier-free facilities throughout the new factory, and basically completed the improvement of barrier-free passages in the dormitory of the old factory and the enhancement of the special operation equipment for employees in wheelchairs. The Company also completed the retrofit of the factory elevators for passenger use and the design plan for human-centered improvement in the factory. Throughout the year, compared with the end of 2024, there were 30 new employees with disabilities and 13 retired persons with disabilities, resulting in a net increase of 17 persons with disabilities in employment. Currently, the number of disabled employees is 375 (including 12 employees rehired after retirement), and more than 70 employees with disabilities retired from the Company now enjoy secure and pension-supported retirements.

While advancing in process technology R&D and product development, the Company has also achieved substantial intellectual property results. The Company currently holds 134 effective patents, including 18 invention patents, 48 utility model patents and 68 design patents. The Company has simultaneously strengthened design copyright registration and protection, with 55 copyrights in total, 44 of which were newly added in 2025. The Intangible Cultural Heritage Comb Industrial Design Center of the Company was designated as a Chongqing Municipal-Level Outstanding Industrial Design Center by the Chongqing Economic and Information Commission. The Company won the first place in "Chongqing Gifts (Yubanli)" of Chongqing Fine Crafts, evaluated by the Chongqing Municipal Commission of Commerce. The Company was listed on the 2025 Brand Value List of Independent Innovation rated by the China Council for Brand Development. In October 2025, the Company received the "China Good Gift" brand honor from the China Council for the Promotion of International Trade.

In respect of trademark management, the Company held total of 768 valid trademarks. Among them, Carpenter Tan (including Chong Tan (重譚) and Xiang Tan (香譚)) owned 384 registered trademarks in China, as well as 131 registered trademarks in Hong Kong, Macau, Taiwan and overseas. Mujianggu (木匠谷) owned 233 registered trademarks in China and 20 registered trademarks in Hong Kong, Macau, Taiwan and overseas. In 2025, 4 new trademarks were registered and 68 trademarks were renewed.

After ten years of right protection for the office building of the Company's Jurong Management Center, the final result was a great disappointment to the Company. The Company will continue to defend its rights, fight to the end and strive to mitigate losses through means such as appeals, petitions, media outreach and seeking government support. Yet more crucially, we must engage in profound reflection and thorough self-examination. Only by strengthening foundational management, strictly adhering to internal control systems, fulfilling our functions and responsibilities, and solidifying the Company's foundations, can we effectively prevent both foreseeable and unforeseeable operational risks.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. REVENUE

The Group recorded a revenue of approximately RMB558,223,000 for the year ended 31 December 2025, representing an increase of approximately RMB52,787,000 or 10.4% as compared to that of approximately RMB505,436,000 for the year ended 31 December 2024. The increase was mainly due to the gradual recovery of market demand during the Year Under Review as compared to the year ended 31 December 2024. The revenue of offline business amounted to approximately RMB323,983,000, representing an increase of approximately RMB33,822,000 or 11.7% against last year of approximately RMB290,161,000. The revenue of online business amounted to approximately RMB228,738,000, representing an increase of approximately RMB19,102,000 or 9.1% against last year of approximately RMB209,636,000. The revenue of directly-operated outlets amounted to approximately RMB4,790,000, representing an increase of approximately RMB330,000 or 7.4% against last year of approximately RMB4,460,000. As at 31 December 2025, the Group had 1,307 franchised stores and 5 directly-operated outlets, respectively, while as at 31 December 2024, the Group had 1,250 franchised stores and 4 directly-operated outlets, respectively. The franchise fee income was approximately RMB712,000, which represents a decrease of approximately RMB467,000 or 39.6% when compared to that of approximately RMB1,179,000 of last year.

	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Revenue				
– Combs	39,390	7.1	38,221	7.6
– Mirrors	451	0.1	505	0.1
– Box sets	513,013	91.9	462,552	91.5
– Other accessories*	4,657	0.8	2,979	0.6
Franchise fee income	712	0.1	1,179	0.2
Total	<u>558,223</u>	<u>100.0</u>	<u>505,436</u>	<u>100.0</u>

* Other accessories include hair decoration, bracelet and small home accessories

MANAGEMENT DISCUSSION AND ANALYSIS

2. COST OF SALES

The cost of sales of the Group was approximately RMB212,921,000 for the year ended 31 December 2025, representing an increase of approximately RMB12,687,000 or 6.3% as compared to that of approximately RMB200,234,000 for the year ended 31 December 2024. The increase in cost of sales was in line with the increase in sales volume and the change in sales mix for the Year Under Review.

3. GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2025, the gross profit of the Group was approximately RMB345,302,000, representing an increase of approximately RMB40,100,000 or 13.1% as compared to that of approximately RMB305,202,000 for the year ended 31 December 2024. The gross profit margin increased from 60.4% in 2024 to 61.9% in 2025. The increase in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

4. OTHER INCOME AND OTHER NET GAIN

Other income and other net gain was approximately RMB45,045,000 for the year ended 31 December 2025, representing an increase of approximately RMB2,589,000 or 6.1% as compared to the gain of approximately RMB42,456,000 for the year ended 31 December 2024. Other income and other net gain was mainly comprised of PRC VAT refunds of approximately RMB30,898,000, rental income of approximately RMB2,899,000, interest income of approximately RMB7,725,000, and change in fair value of financial assets at fair value through profit or loss of approximately RMB669,000, respectively (2024: PRC VAT refunds of approximately RMB28,904,000, rental income of approximately RMB4,743,000, interest income of approximately RMB11,757,000, and change in fair value of financial assets at fair value through profit or loss of approximately RMB816,000, respectively).

5. SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group amounted to approximately RMB96,945,000 for the year ended 31 December 2025, representing an increase of approximately RMB11,321,000 or 13.2% as compared to that of approximately RMB85,624,000 for the year ended 31 December 2024. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB30,714,000, delivery charges of approximately RMB11,372,000, depreciation of right-of-use assets of approximately RMB2,647,000, salaries and allowances of approximately RMB18,508,000 and travelling expenses of approximately RMB2,844,000, respectively (2024: advertising and promotion expenses of approximately RMB28,231,000, delivery charges of approximately RMB10,764,000, depreciation of right-of-use assets of approximately RMB2,978,000, salaries and allowances of approximately RMB15,943,000 and travelling expenses of approximately RMB2,686,000, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

6. ADMINISTRATIVE EXPENSES

The administrative expenses of the Group were approximately RMB45,432,000 for the year ended 31 December 2025, representing an increase of approximately RMB3,581,000 or 8.6% as compared to that of approximately RMB41,851,000 for the year ended 31 December 2024. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB27,001,000, legal and professional fee of approximately RMB1,288,000, design and sample expenses of approximately RMB1,875,000, consultancy fee of approximately RMB334,000 and audit and review fee of approximately RMB956,000, respectively (2024: salaries and allowances of approximately RMB24,050,000, legal and professional fee of approximately RMB3,066,000, design and sample expenses of approximately RMB939,000, consultancy fee of approximately RMB364,000 and audit and review fee of approximately RMB969,000, respectively).

7. OTHER OPERATING EXPENSES

Other operating expenses of the Group were approximately RMB30,820,000 for the year ended 31 December 2025, representing an increase of approximately RMB24,182,000 or 364.3% as compared to that of approximately RMB6,638,000 for the year ended 31 December 2024. The increase for the Year Under Review was mainly due to the loss on derecognition of property, plant and equipment.

8. FINANCE COSTS

The finance costs of the Group were approximately RMB664,000 for the year ended 31 December 2025, representing an increase of approximately RMB53,000 or 8.7% as compared to that of approximately RMB611,000 for the year ended 31 December 2024. The finance costs were interest on lease liabilities.

9. INCOME TAX

For the year ended 31 December 2025, the income tax expenses of the Group amounted to approximately RMB45,459,000, representing an increase of approximately RMB4,004,000 or 9.7% when compared to that of approximately RMB41,455,000 for the year ended 31 December 2024. The increase was mainly due to the fact that the loss on derecognition of property, plant and equipment in the other operating expenses was not tax deductible during the Year Under Review. The details are set out in Note 8(A) to the Financial Statements in this report.

The effective tax rate for the Year Under Review was 21.0% as compared to 19.5% for the year ended 31 December 2024.

10. PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the year ended 31 December 2025 was approximately RMB171,027,000, representing a decrease of approximately RMB452,000 or 0.3% as compared to that of approximately RMB171,479,000 for the year ended 31 December 2024. The decrease was mainly due to the increase in other operating expenses for the Year Under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company for the year ended 31 December 2025 was approximately RMB171,027,000, representing a decrease of approximately RMB339,000 or 0.2% as compared to that of approximately RMB171,366,000 for the year ended 31 December 2024.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

1. PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment consists of buildings, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2025, the book value of property, plant and equipment of the Group amounted to approximately RMB120,650,000, representing a decrease of approximately RMB11,705,000 or 8.8% as compared with the previous year of approximately RMB132,355,000. The decrease was mainly attributable to the loss on derecognition of a property in Jurong, Jiangsu for the year ended 31 December 2025. The details are set out in Note 14(A) to the Financial Statements in this report.

2. INVENTORIES

The Group's inventories increased by approximately RMB16,058,000 or 5.5% from approximately RMB292,498,000 as at 31 December 2024 to approximately RMB308,556,000 as at 31 December 2025, primarily due to the increase in finished goods. Finished goods increased by approximately RMB7,346,000 or 19.6% from approximately RMB37,480,000 in last year to approximately RMB44,826,000 in this year. The details are set out in Note 18 to the Financial Statements in this report.

3. TRADE RECEIVABLES

Generally, franchisees are required to settle the payments for the products prior to delivery. The Group's trade receivables consist of credit sales of products to be paid by some of the Group's franchisees who had better sales performance. As at 31 December 2025, the Group's trade receivables amounted to approximately RMB7,733,000 which increased by approximately RMB580,000 or 8.1% as compared to that of approximately RMB7,153,000 as at 31 December 2024. The ageing analysis of trade receivables is set out in Note 19 to the Financial Statements in this report.

4. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group's other receivables, deposits and prepayments (non-current plus current portion) increased by approximately RMB29,881,000 or 264.9% from approximately RMB11,280,000 as at 31 December 2024 to approximately RMB41,161,000 as at 31 December 2025. The increase in other receivables, deposits and prepayments was mainly due to an increase in prepayments when compared to that of last year. The details are set out in Note 20 to the Financial Statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

5. TRADE PAYABLES

As at 31 December 2025, the Group's trade payables amounted to approximately RMB12,099,000 which increased by approximately RMB2,592,000 or 27.3% as compared to that of approximately RMB9,507,000 as at 31 December 2024. The credit terms granted by the suppliers are generally 30 days. The ageing analysis of trade payables is set out in Note 24 to the Financial Statements in this report.

6. OTHER PAYABLES AND ACCRUALS

The balance of other payables and accruals consists of dividend payables, other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables and contract liabilities. The Group's other payables and accruals increased by approximately RMB11,841,000 or 24.8% from approximately RMB47,798,000 as at 31 December 2024 to approximately RMB59,639,000 as at 31 December 2025. The increase in other payables and accruals was primarily due to an increase in salary payable during the Year Under Review. The details are set out in Note 25 to the Financial Statements in this report.

CASH FLOWS

The Group's cash is primarily used to meet its working capital requirement, repay the principal and interest of its indebtedness falling due (if any) and finance the capital expenditures and growth of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB38,025,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB177,450,000, net cash outflow used in investing activities with the amount of approximately RMB40,954,000, net cash outflow used in financing activities with the amount of approximately RMB103,441,000 and the net foreign exchange gain of approximately RMB4,970,000. Details of cash flows of the Group are set out on pages 80 and 81 of the Consolidated Cash Flow Statement in this report.

CAPITAL STRUCTURE

1. INDEBTEDNESS

As at 31 December 2025, the Group did not have any interest-bearing bank borrowings (31 December 2024: RMB nil).

2. GEARING RATIO

As at 31 December 2025 and 2024, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.

3. PLEDGE OF ASSETS

As at 31 December 2025, the Group did not have any pledged assets to the bank (31 December 2024: RMB nil).

MANAGEMENT DISCUSSION AND ANALYSIS

4. CAPITAL EXPENDITURE

The capital expenditures of the Group primarily included purchases of plant and equipment, furniture and fixtures, construction in progress and motor vehicles. The Group's capital expenditures amounted to approximately RMB18,775,000 and approximately RMB33,081,000 for the year ended 31 December 2025 and the year ended 31 December 2024, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the year ended 31 December 2025, the Group did not have any bank borrowings. The disclosure of effective interest rates for variable rate loans is not applicable.

Taking into account the cash flow generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least the next twelve months from the date of this report.

As at 31 December 2025, the Group had cash and bank balances of approximately RMB79,739,000 (31 December 2024: approximately RMB41,714,000), which was mainly generated from operations of the Group.

CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitment amounting to approximately RMB21,396,000 (31 December 2024: approximately RMB20,718,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2025, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

KEY FOCUS AREAS FOR 2026

1. Strictly implement the 2026-2028 Development Outline and effectively carry out all key tasks related to the breakdown and assignment of 2026 strategic targets from the Company level to departments.
2. Protect the property rights for the office building of the Company's Management Center – continue to defend our rights, fight to the end and strive to mitigate losses through means such as appeals, petitions, media outreach and seeking government support.
3. While establishing and operating the Beijing flagship store, actively explore and continuously adjust plans to open flagship stores in Shanghai, Guangzhou, or Shenzhen.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Expand into prime locations in commercial districts and shopping malls and continuously implement policy support for converting and upgrading side counters, display cabinets and island displays into independent stores; offer policy support to encourage the opening of large and high-quality stores exceeding 50 square meters in ultra-first-tier and new-first-tier cities; deeply advance customer relationship maintenance of combing experience and after-sales repair services; sustain brand-building, accumulation and promotion activities such as “Garden of Combs”, design competitions, woodcraft exhibitions and intangible cultural heritage preservation initiatives.
5. Resolutely safeguard market order and rectify violations. Adhere to a long-term brand-centric strategy – never conducting price-based marketing, never engaging in price wars, never offering discounts, never compromising quality, and never taking the initiative to participate in any disguised price-based marketing activities while ensuring prompt withdrawal, removal, or penalties if encountered; establish a fair market expansion mechanism, break down territorialism, never protect the laggards, achieve optimal balance, healthy competition and harmonious development; maintain simple, clean, transparent, close, warm and principled cooperative relationships, adhere to professional ethics agreements, purify the market environment, establish a healthy franchise system and achieve sustainable development. The Company maintains a firm stance on rectification – whether it involves external infringement or violations within the franchise system, the Company will show no leniency, rigorously enforcing the principle of “swatting both tigers and flies”.
6. Accelerate the implementation of various improvement suggestions, changes and innovations, and technological advancements. Enhance both the quantity and quality of rational suggestions and encourage all innovation efforts, while delving this work with greater depth, thoroughness and effectiveness. Strictly follow the new three-year outline for process technology development and improvement to advance process technology development and enhancement work. Continuously implement standardized management of dust-free work environments for product spraying processes and eliminate outdated traditional operational habits to fundamentally solve quality and efficiency problems caused by paint particles and dust that lead to repeated rework.
7. Build a low-carbon, environmental-friendly and energy-efficient green factory. Implement environmental protection measures and meet Class B emission standards to ensure the production of orders is not subject to strict shutdown restrictions under environmental regulations, thereby securing order supply.
8. Continuously improve and enhance the employment and the barrier-free production and living facilities for the disabled. Launch a pilot initiative to improve the brand image and humanistic care in the existing plants at the Wanzhou factory; plan and construct the Carpenter Tan Museum to provide foundational support conditions for the government-led industrial tourism.
9. Carpenter Tan Holdings Limited has successfully re-domiciled from Cayman Islands, UK to Hong Kong, China, and is striving to obtain a Hong Kong corporate resident status in 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2025, the Group had a total of 1,029 employees (2024: 989 employees), and total staff cost for the Year Under Review amounted to approximately RMB119,856,000 (2024: approximately RMB107,047,000).

The salaries of our employees depend mainly on their position, nature of work and results of their annual performance evaluation. For employees of our PRC subsidiary, we made contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations. We have established a labour union that aims to protect our employees' legal rights, assist us in attaining our economic objectives and encourage employees to participate in management decisions.

DIVIDENDS

FINAL DIVIDEND

To extend the Company's gratitude for the support of our Shareholders, the Board has recommended the distribution of a final dividend of HK38.31 cents per share for the year ended 31 December 2025 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2026, amounting to approximately HK\$95,282,000 (equivalent to approximately RMB85,657,000) in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Friday, 22 May 2026. The dividend payout ratio is 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends. The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2026.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tan Chuan Hua (譚傳華), aged 68, is an executive Director, the co-founder of the Group and the chairman of the Group. He is responsible for the overall strategic planning, formulation of the corporate policies, the corporate development and also the day-to-day management of the Group. Mr. Tan has over 26 years of experience in the industry of manufacturing small size wooden handicrafts. Mr. Tan has been appointed as the Chairman of Chong Qing Art and Handicraft Association (重慶工藝美術行業協會) since 2004. He has been a member of the Third Political Consultative Conference Chong Qing Committee (重慶市第三屆政協委員) since January 2008 and was a member of the Second Political Consultative Conference Chong Qing Committee (重慶市第二屆政協委員) from January 2003 to December 2007. Mr. Tan was awarded by the Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) as a Country Self-motivated Model (全國自強模範) in 2003. He was also awarded as 2005 China Outstanding Franchise Executive* (2005年中國特許企業優秀管理者) by China Chain Store and Franchise Association (中國連鎖經營協會). He is the director of Lead Charm Investments Limited ("Lead Charm"), the Company's controlling shareholder and Global Craft Collection Association (國際手工藝術集藏協會). He is the spouse of Ms. Fan Cheng Qin, father of Mr. Tan Di Fu and Mr. Tan Lizi. Mr. Tan was appointed as an executive Director of the Company on 20 June 2006.

Mr. Tan Di Fu (譚棣夫), aged 40, is responsible for assisting the formulation of the business development strategy of the Group. He enrolled in Sichuan International Studies University (四川外語學院) in professional English language and literature (英語語言文化專業). He joined the Group in 2005 and has worked for various functional departments of the Group to obtain basic management training including production and human resources. He was subsequently promoted to the head of Wan Zhou Factory in 2007 and is responsible for its day-to-day operational management. Currently he is the General Manager of Chongqing Carpenter Tan Handicrafts Company Limited and is responsible for the day-to-day management of the Company. Mr. Tan Di Fu is the son of Mr. Tan Chuan Hua, the Chairman and an executive Director of the Company, and Ms. Fan Cheng Qin, the elder brother of Mr. Tan Lizi. Mr. Tan was appointed as an executive Director of the Company on 18 August 2010.

Mr. Luo Hongping (羅洪平), aged 59, at present is the chief executive officer of the Group. Mr. Luo joined the Group in July 2003, and is responsible for human resources and administration, risk management, finance and accounting, product design, technological research and development, company culture, production, storage and logistic and construction. He has been the factory manager of the Wanzhou factory of the Group and the head of the technical center of the Group. Mr. Luo held a bachelor degree in engineering management. Before joining the Group, he had been the deputy factory manager of Sichuan Huaxi Silk Factory* (四川華西絲綢總廠) for over ten years where he gained experience in production management, and the deputy general manager of Chongqing Longbao Radio and Television Co., Ltd.* (重慶龍寶廣電有限公司) for four years where he gained experience in sales of electrical appliances. Mr. Luo was appointed as an executive Director and chief executive officer of the Company on 1 February 2023. Upon the appointment as an executive Director and chief executive officer of the Company, Mr. Luo will continue to serve as the administration controller of the Group.

Mr. Tan Lizi (譚力子), aged 36, is the vice-Chairman of the Group. Mr. Tan is the son of Mr. Tan Chuan Hua, the Chairman, an executive Director and a substantial shareholder of the Company, and Ms. Fan Cheng Qin, a substantial shareholder of the Company and the quality controller of the Group and the younger brother of Mr. Tan Di Fu, an executive Director. Mr. Tan joined the Group in September 2012, was appointed as an executive Director on 15 September 2017 and as the chief executive officer of the Company on 1 January 2019, and resigned as an executive Director and the chief executive officer of the Company on 1 May 2022. Mr. Tan was re-appointed as an executive Director of the Company on 1 February 2025.

Ms. Liu Kejia (劉珂佳), aged 42, is the deputy chief executive officer and sales controller of the Group. Ms. Liu joined the Group in October 2009 and is responsible for the sales management and business development of the Group. Ms. Liu held a bachelor degree in business administration awarded by Chongqing University of Posts and Telecommunications (重慶郵電大學) and was engaged in the project management of Singapore Certis CISCO before joining the Group. Ms. Liu was appointed as an executive Director of the Company on 1 February 2025.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kam Wing, Donald (周錦榮), aged 63, has over 33 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a master degree in business administration from the University of San Francisco, US in 2000. He is a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently the finance director of Winox Holdings Limited (Stock Code: 6838) and he is also an independent non-executive director of China Water Affairs Group Limited (Stock Code: 0855), Ching Lee Holdings Limited (Stock Code: 3728) and Kangda International Environmental Company Limited (Stock Code: 6136), respectively, these four companies are listed on the Main Board of the Hong Kong Stock Exchange (“HKEx”). He is also an independent non-executive director of Eco-Tek Holdings Limited (Stock Code: 8169) which is listed on the Growth Enterprise Market of the HKEx. Mr. Chau was an independent non-executive director of Zhejiang Chang’an Renheng Technology Co., Ltd. (Stock Code: 8139), which is listed on the Growth Enterprise Market of the Stock Exchange, from May 2014 to May 2019. Mr. Chau has been appointed as an independent non-executive Director of the Company since 17 November 2009.

Ms. Liu Liting (劉麗婷), aged 44, has over 21 years of experience in business administration. In 2007, she joined Beijing Puna PR Consulting Co., Ltd. (北京普納公關顧問有限公司), which is a public relations company in the People’s Republic of China, and has been the general manager since 2013. Ms. Liu obtained her bachelor’s degree in economics from the Harbin Institute of Technology (哈爾濱工業大學) in May 2004 and her master’s degree in arts from the University of Sunderland in England in November 2006. Ms. Liu was appointed as an independent non-executive Director of the Company on 31 May 2017.

Mr. Yang Tiannan (楊天南), aged 57, has about 34 years of experience in the financial and securities market. Prior to joining the Company, Mr. Yang served as a manager of the financial and securities department of Beijing Vantone Holdings Co., Limited* (北京萬通實業股份有限公司) from January 1993 to August 1999. Subsequently, Mr. Yang served as the associate vice president of the customer department of Merrill Lynch in California, the United States from September 1999 to December 2001. From March 2002 to August 2005, Mr. Yang served as the investment consultant of Manulife Financial Corporation. Since September 2007, Mr. Yang has been the chief executive officer of Beijing Golden Stone Asset Management Co., Limited (北京金石致遠資產管理有限公司). Mr. Yang is currently the visiting professor of College of Management and Economics* (管理與經濟學院) of Beijing Institute of Technology, Zhongnan University of Economics and Law and Northeast Normal University. Mr. Yang obtained a Master degree of Business Administration from University of San Diego in the United States in May 2001. Mr. Yang was appointed as an independent non-executive Director of the Company on 20 June 2022. Mr. Yang resigned as an independent non-executive Director of the Company on 31 October 2025.

Dr. Wong Kong Tin (黃江天), BBS, JP, aged 58, has over 30 years of practical experience in the fields of cross-border investment in Greater China, financing, corporate acquisition, merger, listing, real estate project development, E-commerce, brand management, corporate governance, arbitration mediation, media and public administration.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong received his bachelor's degree and master's degree in law from Peking University in the People's Republic of China (the "PRC") in July 1993 and July 1995 respectively. He received his doctor's degree in constitutional law and administrative law from Renmin University of China in the PRC in July 2001 and his postgraduate diploma in English and Hong Kong Law from The Manchester Metropolitan University in the United Kingdom. Dr. Wong was admitted as an associate of Chartered Institute of Arbitrators in May 2002, an associate of Hong Kong Institute of Arbitrators in August 2002, a registered financial planner certified by the Society of Registered Financial Planners in July 2008, a fellow member of the Hong Kong Institute of Directors in September 2008 and a founding member of the Hong Kong Independent Non-executive Director Association in October 2015. He has served as a panel member of the Solicitors Disciplinary Tribunal in Hong Kong from May 2010 to May 2022, the chairman of the Liquor Licensing Board in Hong Kong from January 2018 to December 2023, the chairman of the Appeal Panel (Property Management Services) in Hong Kong from August 2020 to November 2022. Dr. Wong has been serving as a member of the Advisory Committee on Post-service Employment of Civil Servants of the Government of Hong Kong since September 2021, a member of the Citizens Advisory Committee on Community Relations of the Independent Commission Against Corruption since January 2022, and the chairman of the Property Management Services Authority since December 2022.

Dr. Wong has been serving as an independent non-executive director of Times Neighborhood Holdings Limited, a company listed on the main board of the HKEx, (stock code: 9928) and China Coal Energy Company Limited, a company listed on the main board of the HKEx (stock code: 1898). From June 2010 to July 2014, Dr. Wong served as an independent non-executive director at Great Wall Technology Company Limited, previously listed on the HKEx (stock code before delisting from the HKEx: 0074). Dr. Wong was appointed as an independent non-executive Director of the Company on 1 November 2025.

SENIOR MANAGEMENT

Ms. Fan Cheng Qin (范成琴) aged 61, is the co-founder and quality controller of the Group. She is responsible for the quality control of the Group including supervision of the quality control team of the logistic centre. She has over 22 years' experience in the industry of manufacturing small wooden handicrafts. Ms. Fan is the spouse of Mr. Tan Chuan Hua, the mother of Mr. Tan Di Fu and Mr. Tan Lizi.

Mr. Chan Hon Wan (陳漢雲), aged 65, is the financial controller and company secretary of the Company and joined the Group in June 2008. Mr. Chan graduated with a Master Degree in Accountancy from the Hong Kong Polytechnic University and a Bachelor Degree in Economics from Macquarie University in Australia. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA), and an associate member of The Institute of Chartered Accountants in Australia. He has over 39 years of extensive experience in accounting and finance fields, gaining from one of the "Big-4" international accounting firms and various listed corporations. He is responsible for overseeing the Group's accounting and finance matters.

The emoluments of each of the above senior management of the Group fall within the band of nil to HK\$1,000,000. Details of the emoluments of each of the above senior management of the Group are set out in Notes 9 and 10 to the Financial Statements in this report.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and has adopted various measures to enhance the internal control system, the Directors’ continuous professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company had complied with the applicable code provisions as set out in the CG Code in force.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his or her compliance with the Model Code during the Year Under Review. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished inside information, has been requested to comply with the provisions of the Model Code and the Company’s code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees’ written guidelines by the relevant employees was noted by the Company during the Year Under Review.

BOARD OF DIRECTORS

The Board is the core of the Company’s corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management. Since the day-to-day running of the Company has been delegated by the Board to the senior management, the senior management is responsible for the implementation of the policies resolved. In general, the responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed and final annual budgets of the Company, assessing the performance of the Company and overseeing the work of senior management.

As at 31 December 2025, the Board comprises a total of eight Directors, being five executive Directors and three independent non-executive Directors. Mr. Tan Chuan Hua, Mr. Tan Di Fu, Mr. Luo Hongping, Mr. Tan Lizi and Ms. Liu Kejia served as executive Directors; and Dr. Wong Kong Tin, Ms. Liu Liting and Mr. Chau Kam Wing, Donald served as independent non-executive Directors. These executive Directors and independent non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the enhancement of the best interests of the Group and its Shareholders. Biographical details of and the relationship between the Directors are set out in the section headed “Biography of Directors and Senior Management” on pages 44 to 46 of this report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group’s annual and interim results. During the Year Under Review, four Board meetings were held and attendance of each Director at the Board meetings is set out in the paragraph headed “Board Meetings and Individual Attendance” on page 52 of this report.

All members of the Board fully understand their collective and individual responsibility for the Company’s Shareholders, and will try their best to carry out their duties to make contributions to the Group’s results.

Throughout the Year Under Review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three Independent non-executive Directors, representing more than one-third of the number of Directors at the Board, with at least one Independent non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Pursuant to article 83(3) of the articles of association of the Company (the "Articles of Association"), the Board shall have power to appoint a Director whose appointment shall only be until the first annual general meeting after his/her appointment but then be eligible for re-election. Besides, pursuant to article 84(1) of the Articles of Association, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further, any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Tan Di Fu, Mr. Luo Hongping, Mr. Chau Kam Wing, Donald and Dr. Wong Kong Tin shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy (the "Board Diversity Policy") with a view to achieving a sustainable and balanced development. Our Board has a balanced composition comprising six Directors, including one female Director and five male Directors as at the date of this report. Our Directors aged between late-thirty and mid-sixty as at the date of this report, and were from different backgrounds. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We have appointed a female director on the Board on 1 February 2025.

As at 31 December 2025, the Group employed a total of 1,029 full time employees, the overall gender ratio in the workforce for male to female was male 43.7% to female 56.3%.

In recognition of the importance of board diversity, we will continue to promote diversity of our Company at all levels, including at the Board and senior management level, to enhance the effectiveness of our corporate governance. We will continue to provide diversified career development opportunities to our staff and engage different training resources for our staff in order to develop future candidates for Director and senior management. Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the CG Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has formed three committees, namely the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. All Committees have been formed with specific written terms of reference in compliance with Appendix 14 to the Listing Rules which deal with their respective authorities and duties.

The Committees' terms of reference are reviewed and updated regularly to ensure they continue to be at the forefront of best practice and to ensure due compliance with the most updated rules and regulations. Copies of the terms of reference of the committees are available on the website of the Stock Exchange and the website of the Company.

Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Members, duties and responsibilities of the committees are as follows:

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 17 November 2009 with written terms of reference in compliance with the CG Code. The Audit Committee has three members comprising all the independent non-executive Directors. Members of the Audit Committee include Ms. Liu Liting, Dr. Wong Kong Tin and Mr. Chau Kam Wing, Donald, in which Mr. Chau Kam Wing, Donald is the chairman of the Audit Committee.

The duties and responsibilities of the Audit Committee include:

- provide an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems;
- review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process;
- monitor the integrity of the Company's financial statements, annual report and accounts;
- review the Group's financial and accounting policies and practices; and
- discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems.

During the Year Under Review, the Audit Committee held two meetings. The attendance record of the committee members at these meetings are set out in the section headed "Board Meetings and Individual Attendance" on page 52 of this report. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2024, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2025 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

The Audit Committee also carried out corporate governance functions during the Year Under Review, including developing and reviewing the Company's policies and practices on corporate governance and other duties prescribed under code provision D.3.1 of the CG Code.

CORPORATE GOVERNANCE REPORT

Pursuant to the meeting of the Audit Committee held on 27 March 2026 attended by all the members of the Audit Committee, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements and the results announcement for the year ended 31 December 2025, and this 2025 annual report and accounting principles and practices adopted by the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this 2024 annual report complies with the prevailing accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) on 17 November 2009 with written terms of reference in compliance with the CG Code. The terms of reference were updated on 30 December 2022, in accordance with the prevailing provision of the CG Code. The Remuneration Committee currently has three members, namely Ms. Liu Liting, Dr. Wong Kong Tin and Mr. Chau Kam Wing, Donald, all of whom are independent non-executive Directors. Mr. Chau Kam Wing, Donald is the chairman of the Remuneration Committee.

The duties and responsibilities of the Remuneration Committee include:

- recommend to the Board on the Company’s policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- review and approve performance - based remuneration by reference to corporate goals and objectives;
- review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct; and
- consider the granting of share options to the Directors pursuant to any share option scheme adopted by the Company.

During the Year Under Review, the Remuneration Committee had held two meetings and all the members attended the meeting. The Remuneration Committee has considered the policy for the remuneration of Directors, the performance of Directors, and the terms of Directors’ service contracts. The Remuneration Committee adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code to make recommendation to the Board and review the remuneration packages of the individual Directors and senior management of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 28 March 2012 with written terms of reference, which was amended and adopted by the Board on 29 August 2013 and the contents of which are in compliance with the provisions of the CG Code. There are three members for the Nomination Committee which includes Ms. Liu Liting, Dr. Wong Kong Tin and Mr. Chau Kam Wing, Donald who are all Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Chau Kam Wing, Donald.

The duties and responsibilities of the Nomination Committee include:

- formulate nomination policy for consideration of the Board and implement the nomination policy laid down by the Board;
- consider the selection criteria of Directors, and develop procedures for the sourcing and selection of members of the Board to be elected by Shareholders of the Company;
- identify and nominate candidates to fill causal vacancies of Directors for the Board's approval;
- review the structure, size and composition of the Board at least annually, considering inter alia the skills, knowledge and length of service, the breadth of expertise of the Board as a whole, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors; and
- 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.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. In the selection and nomination for new Directors, the Nomination Committee identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The Nomination Committee utilizes various methods for identifying potential candidates, including recommendations from the members of the Board, management, and professional search firms. All potential candidates are evaluated by the Nomination Committee based on their qualifications. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the Nomination Committee to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the Nomination Committee has approved their nominations.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service in related business areas of the Board members and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background, skills and knowledge.

CORPORATE GOVERNANCE REPORT

During the Year Under Review, the Nomination Committee had held two meetings and all the members attended the meetings.

The work performed by the Nomination Committee during the Year Under Review included reviewing the established policy and procedure for the nomination and appointment of new Directors, reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy and assessing the independence of the Independent Non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the gender, age, culture and educational background, professional experience and industry experience of each Director vis-a-vis the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

BOARD MEETINGS AND INDIVIDUAL ATTENDANCE

It is proposed to hold Board meetings at least four times a year regularly. Written notice will be given to Directors at least fourteen days before a regular Board meeting. Directors will be given reasonable and practicable notification under relevant circumstance for any special Board meeting called.

Before each Board meeting, the Directors are provided with a detailed agenda and sufficient relevant information, so as to enable the Directors to make appropriate decisions in relation to the matters to be discussed therein. All Directors are given an opportunity to include matters of their concern in the agenda of the Board meeting. If any Director or any of his/her associate has material interests in any resolution of the Board meeting, such Director must abstain from voting and should not be counted in the quorum of the meeting.

Details of the attendance records of Directors on Board meetings and board committee meetings for the year ended 31 December 2025 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Tan Chuan Hua (<i>Chairman</i>)	4/4	–	–	–	1/1
Mr. Tan Di Fu	4/4	–	–	–	1/1
Mr. Luo Hongping	4/4	–	–	–	1/1
Mr. Tan Lizi (<i>appointed on 1 February 2025</i>)	4/4	–	–	–	1/1
Ms. Liu Kejia (<i>appointed on 1 February 2025</i>)	4/4	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2	2/2	1/1
Ms. Liu Liting	4/4	2/2	2/2	2/2	1/1
Mr. Yang Tiannan (<i>resigned on 31 October 2025</i>)	3/4	2/2	2/2	2/2	1/1
Dr. Wong Kong Tin (<i>appointed on 1 November 2025</i>)	1/4	–	–	–	–

Subsequent to the year ended 31 December 2025 and up to the date of this report, the Board held another Board meeting in March 2026 for the main purpose of approving the annual results of the Group for the year ended 31 December 2025 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT OF DIRECTORS

Upon the appointment as a Directors of the Company, all Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. All Directors have been updated on the latest developments regarding the main board listing rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code effective from 1 April 2012 on Directors' training and have provided a record of the training they received to the Company. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge and skills.

Name of Directors	Training received
Mr. Tan Chuan Hua	— Reading materials/attending in house and external seminars and programmes
Mr. Tan Di Fu	— Reading materials/attending in house and external seminars and programmes
Mr. Luo Hongping	— Reading materials/attending in house and external seminars and programmes
Ms. Liu Liting	— Reading materials/attending in house and external seminars and programmes
Mr. Chau Kam Wing, Donald	— Reading materials/attending in house and external seminars and programmes
Mr. Yang Tiannan (<i>resigned on 31 October 2025</i>)	— Reading materials/attending in house and external seminars and programmes
Mr. Tan Lizi (<i>appointed on 1 February 2025</i>)	— Reading materials/attending in house and external seminars and programmes
Ms. Liu Kejia (<i>appointed on 1 February 2025</i>)	— Reading materials/attending in house and external seminars and programmes
Dr. Wong Kong Tin (<i>appointed on 1 November 2025</i>)	— Reading materials/attending in house and external seminars and programmes

RESPONSIBILITIES OF THE DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the Financial Statements of the Group in accordance with the relevant laws and disclosure stipulations of the Listing Rules and ensuring that these statements give a true and fair view of the state of affairs of the Group, its results and cash flows for the relevant period. The Board also ensures the timely publication of the financial statements of the Group. The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The responsibilities of the external auditors are to express an independent opinion on the Financial Statements prepared by the Directors based on their audit and to report their opinion solely to all the Shareholders, and for no other purpose. The statement of external auditor of the Company, Crowe (HK) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" of this report.

CORPORATE GOVERNANCE REPORT

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

We strive to maintain a high level of business integrity as it is vital to our reputation and the protection of our business partners and customers. To achieve so, the Group is in strict compliance with the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, and the Anti-Money Laundering Law and the Criminal Law of the PRC.

We do not, in any case, tolerate any business misconduct and malpractices, this includes any form of bribery, extortion, fraud and money laundering. As stated clearly in the Prevention of Bribery Ordinance incorporated in our Employee's Handbook, unethical business practices such as the offering and accepting of gifts are strictly prohibited. Once we discover any misconduct committed, the employees will be subject to termination of employment or disciplinary action.

Holding on to the values of openness, probity and accountability, we have formulated the Whistleblowing Policy which allows employees to voice their concerns or if they suspect any misconduct is being committed within the business. As the policy provides absolute anonymous reporting channels, it protects the whistleblowers from any unfair treatment and undesired consequences such as dismissal, victimization and disciplinary action, even for substantiated cases. At the same time, the policy summarizes that the Audit Committee has been tasked with handling the cases and delineating the investigation procedures. The Whistleblowing Policy not only apply to internal employees but also to our suppliers and contractors.

During the Year Under Review, there were no reported legal cases regarding the corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering. Though the Group did not provide any internal anti-corruption training to Directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2025, the total remuneration for the audit services provided by the external auditors in Hong Kong amounted to approximately RMB726,000 (equivalent to approximately HK\$790,000).

For the year ended 31 December 2025, the total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB230,000 (equivalent to approximately HK\$250,000), mainly representing the remuneration for interim reporting services.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

FINANCIAL REPORTING

The Board acknowledges its responsibility, as set out in the Independent Auditor's Report, to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, 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 Group has adequate resources to continue in business for the foreseeable future and 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.

The responsibilities of Crowe (HK) CPA Limited, 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.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the Year Under Review. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The Group's risk management framework includes the following elements: (i) identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business; (ii) develop necessary measures to manage those risks; and (iii) monitor and review the effectiveness of such measures. The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our Audit Committee reviews the Group's risk management systems from time to time in accordance with the prevailing Group's business environment.

Audit Committee reported to the Board the implementation of the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. Based on the reports from the Group's internal control department and the Audit Committee, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG code.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (the "SFO") (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including: (i) arousing the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly; and (iii) disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the company secretary of the Company on 1 June 2008. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the board policy and procedures.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant requirement under Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training. His biographical details are set out in the section headed "Biography of Directors and Senior Management" in this report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

- (a) Each service agreement in respect of executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

Each of the executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

In addition, each of the executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee of the Board.

- (b) Each service agreement in respect of the independent non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the independent non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

COMMUNICATION WITH SHAREHOLDERS

SHAREHOLDERS' COMMUNICATION POLICY

On 28 March 2012, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly by the Group to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.ctans.com;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website at www.ctans.com;
- (iv) Annual General Meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meetings shall be convened on the written requisition of any one or more Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

On 28 March 2012, the Board adopted a policy of procedures for proposing a person for election as a director. If a Shareholder wishes to propose a person (other than a retiring Director) for election as a Director (the "Candidate") at a general meeting of the Company, he should:

- (i) lodge a written notice of such proposal at the Company's head office in Hong Kong at Room 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, Kowloon, Hong Kong for the attention of the Company's company secretary, signed by the Shareholder who should be qualified to attend and vote at the general meeting;
- (ii) provide biographical details of the Candidate as set out in Rule 13.51(2)(a)-(x) of the Listing Rules; and
- (iii) provide a written consent signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the relevant general meeting appointed for such election and end on the date seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact address is Room 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

INVESTOR RELATIONS

The Company believes that effective communications with the investment community are pivotal in enhancing investors' understanding of the Company's business and development. To achieve this and to enhance transparency, the Company maintains a proactive approach in promoting investor relations and communications. As such, the objectives of the Company's investor relations policy is to enable investors to have access, on a fair and timely basis, to information relating to the Group so that they can make informed decisions.

Investors are welcome to share their views with the Board by writing to the Company or sending enquiries to the Company's website at www.ctans.com. The website also enables investors and the public to obtain up-to-date corporate information of the Group.

On behalf of the Board
Carpenter Tan Holdings Limited
Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 27 March 2026

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the “Financial Statements”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in (i) the design, manufacture and distribution of small size wooden accessories which are mainly made of natural wood and designed with traditional Chinese cultural features and with high artistic qualities; (ii) the operation of a franchise and distribution network primarily in the PRC; and (iii) the operation of retailing shops for direct sale of its products in Hong Kong and the PRC. The Group’s products are mainly classified into four categories, namely (i) wooden or horn combs such as coloured drawing combs, grass-and-tree dyed wooden combs and carved combs; (ii) pocket-size wooden mirrors such as coloured drawing mirrors and carved mirrors; (iii) other wooden accessories and adornments such as bead bracelets (香珠手鏈), pendants (鏈墜), barrettes (髮夾), hair bobs (髮簪) and massage tools; and (iv) box sets which combine its different products featured in themes for gift purpose. The Group’s products are mainly sold under the brand name of “Carpenter Tan” (譚木匠).

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2025 and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 75 to 148.

FINAL DIVIDEND

To extend the Company’s gratitude for the support of our Shareholders, the Board has recommended the distribution of a final dividend of HK38.31 cents per share for the financial year ended 31 December 2025 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2026, amounting to approximately HK\$95,282,000 (equivalent to approximately RMB85,657,000) in total, subject to the approval of the Shareholders at the Company’s forthcoming annual general meeting to be held on Friday, 22 May 2026. The dividend payout ratio is 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends, the above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2026.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the “Dividend Policy”), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company’s ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders’ approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

REPORT OF THE DIRECTORS

CLOSURE OF THE REGISTER OF MEMBERS

TO BE ELIGIBLE TO ATTEND AND VOTE IN THE FORTHCOMING ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Tuesday, 19 May 2026 to Friday, 22 May 2026 (both days inclusive) during which period no transfer of Shares will be registered. The record date for determining the entitlement of the shareholders to attend and vote at the meeting is 22 May 2026. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 May 2026.

TO QUALIFY FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Wednesday, 3 June 2026 to Monday, 8 June 2026 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 June 2026.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 7 to 43. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the "Financial Highlights" on page 4. No important event affecting the Group has occurred since the end of the Year Under Review.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

REPORT OF THE DIRECTORS

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year Under Review, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

MARKET RISK

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

FOREIGN EXCHANGE RISK

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

LIQUIDITY RISK

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

REPORT OF THE DIRECTORS

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB24,332,000 as at 31 December 2025. The Group purchased the property from 蘇州建興置業有限公司 (the "Developer") in 2013. The Group has fully paid the cost of the buildings but as at 31 December 2025, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Year Under Review, the Developer was under liquidation procedure.

On 29 December 2025, the Group received the civil ruling issued by the Jiangsu Higher People's Court (the "Jiangsu Higher Court") dated 29 December 2025 (the "Final Ruling"). The Jiangsu Higher Court dismissed the Group's application for a retrial. The Final Ruling represents the exhaustion of the ordinary judicial appeal process in the PRC.

Notwithstanding the above, the Group maintains its strong position that the Final Ruling is unjust. The Group intends to pursue all available channels to challenge the outcome. As advised by the PRC lawyers of the Company, Jiangsu Huidian Law Firm (江蘇匯典律師事務所) and Beijing Dacheng (Nanjing) Law Offices, LLP (北京大成(南京)律師事務所), potential avenues may include, but are not limited to:

1. filing an appeal with the procuratorate; or
2. submitting a petition to the Supreme People's Court of the PRC.

The Board is actively assessing, with its legal advisors, the feasibility and merits of lawful means to overturn what it considers to be an unjust result. There is, however, no assurance that any such action will be accepted or, if accepted, will be successful. Please refer to the announcement of the Company dated 9 January 2026 for further details.

As at 31 December 2025, loss on derecognition of property, plant and equipment of approximately RMB24,332,000 was recognised.

Save as disclosed above, as at 31 December 2025, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

REPORT OF THE DIRECTORS

BORROWINGS

The Group did not have any borrowings for the year ended 31 December 2025.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year Under Review or subsisted at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, the Company's subsidiaries or holding companies, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Year Under Review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association of the Company, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a "going concern" basis.

PUBLIC FLOAT

According to information disclosed publicly and as far as the Directors are aware, for the year ended 31 December 2025 and up to the date of this report, at least 25% issued shares of the Company were held by public Shareholders.

REPORT OF THE DIRECTORS

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

For the year ended 31 December 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 28 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the "Consolidated Statement of Changes in Equity" on page 79 and Note 30 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB119,198,000, of which approximately RMB85,657,000 (equivalent to approximately HK\$95,282,000) has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its Shareholders out of the share premium account under certain circumstances.

CHARITABLE DONATIONS

The Group had charitable donations of approximately RMB nil for the year ended 31 December 2025 (2024: approximately RMB nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2025 are set forth in Note 14(A) to the Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value of the Group's investment properties as at 31 December 2025 amounted to approximately RMB81,400,000 which had decreased by approximately RMB2,700,000 when compared to 2024. Details of movements in the investment properties of the Group are set out in Note 15 to the Financial Statements of the Group for the year ended 31 December 2025. Details of the principal properties held for investment purposes are set out on page 149 of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2025 are set out in Note 17 to the Financial Statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Tan Chuan Hua (*Chairman*)
Mr. Tan Di Fu
Mr. Luo Hongping
Mr. Tan Lizi (*appointed on 1 February 2025*)
Ms. Liu Kejia (*appointed on 1 February 2025*)

Independent Non-Executive Directors

Mr. Chau Kam Wing, Donald
Ms. Liu Liting
Mr. Yang Tiannan (*resigned on 31 October 2025*)
Dr. Wong Kong Tin (*appointed on 1 November 2025*)

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the section headed “Biography of Directors and Senior Management” on pages 44 to 46 of this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors remain independent.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry remuneration standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Board determines the remuneration of the Directors on the basis of the Company’s performance, together with the relevant Directors’ qualifications, responsibilities, experience, contributions to and positions held with the Company. Details of the remuneration of the Directors are set out in Note 9 to the Financial Statements.

The five highest paid individuals of the Group in the Year Under Review include 3 Directors (2024: 1 Director). Details of the five highest paid individuals are set out in Note 10 to the Financial Statements.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including Executive Directors and Independent Non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

- (a) Each service agreement in respect of Executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

Each of the Executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

In addition, each of the Executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee of the Board.

- (b) Each service agreement in respect of the Independent Non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the Independent Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

For the Year Under Review, the emoluments payable to each of the Directors are as follows:

	RMB'000
Executive Directors	
Mr. Tan Chuan Hua (<i>Chairman</i>)	287
Mr. Tan Di Fu	88
Mr. Luo Hongping	876
Mr. Tan Lizi (<i>appointed on 1 February 2025</i>)	566
Ms. Liu Kejia (<i>appointed on 1 February 2025</i>)	825
Independent Non-Executive Directors	
Mr. Chau Kam Wing, Donald	132
Ms. Liu Liting	88
Mr. Yang Tiannan (<i>resigned on 31 October 2025</i>)	73
Dr. Wong Kong Tin (<i>appointed on 1 November 2025</i>)	15

Each of the executive Directors will also be entitled to reimbursement of reasonable traveling, hotel, entertainment and other expenses properly incurred in the performance of his or her duties under the relevant service contract.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2025, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN SECURITIES

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

As at 31 December 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interest in the shares in the Company:

Name of Director	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled corporation	167,700,000	67.43%

Note:

1. Tan Chuan Hua is deemed to be interested in 167,700,000 Shares held by Lead Charm Investments Limited ("Lead Charm") by virtue of his 51% interest in Lead Charm under Part XV of the SFO.

(II) Interests in the shares of associated corporations:

Name of Directors	Name of associated corporations	Capacity/ Nature of interest	Approximate percentage of interests in associated corporations
Tan Chuan Hua	Lead Charm	Beneficial owner	51%

REPORT OF THE DIRECTORS

(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled corporation	167,700,000	Long	67.43%
Fan Cheng Qin (Note 2)	Interest in a controlled corporation	167,700,000	Long	67.43%
Lead Charm (Note 3)	Beneficial owner	167,700,000	Long	67.43%

Notes:

1. Tan Chuan Hua is deemed to be interested in 167,700,000 Shares held by Lead Charm by virtue of his 51% interest in Lead Charm under Part XV of the SFO. Mr. Tan is a controlling shareholder within the meaning of the Listing Rules.
2. Fan Cheng Qin is deemed to be interested in 167,700,000 Shares held by Lead Charm by virtue of her 49% Interest in Lead Charm under Part XV of the SFO. Ms. Fan is a controlling shareholder within the meaning of the Listing Rules.
3. Lead Charm is a controlling shareholder within the meaning or otherwise by virtue of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the Year Under Review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2025 are set out in Note 33 to the Financial Statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions set out in the paragraph headed "Related Party Transactions", at the end of the year or at any time during the Year Under Review, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year Under Review.

PLEDGE OF ASSETS

As at 31 December 2025, the Group had pledged bank deposit of RMB nil to the bank to secure a financial guarantee issued by the bank to distribution agents for the Group's operation (2024: RMB nil).

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various short term bank borrowings when required. As at 31 December 2025, the Group did not have any bank borrowings. Taking into account the cash generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least twelve months from the date of this report.

As at 31 December 2025, the Group had cash and bank balances of approximately RMB79,739,000 (2024: approximately RMB41,714,000) mainly generated from operations of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 2.7% of the Group's total revenue and sales to the largest customer accounted for approximately 0.8% of the Group's total revenue for the year ended 31 December 2025. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 39.5% of the Group's total purchases and purchases from the largest supplier accounted for approximately 12.4% of the Group's total purchases for the year ended 31 December 2025.

None of the Directors, their associates, or any Shareholder which to the knowledge of the Directors owns more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

REPORT OF THE DIRECTORS

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2025 are set out in Note 35 to the Financial Statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the last five financial years is set out in the “Financial Summary” on page 150 of this report.

EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period as at the date of this report.

AUDITOR

Crowe (HK) CPA Limited (“Crowe (HK)”) acted as auditor of the Company and audited the Group’s consolidated financial statements for the financial year ended 31 December 2025. Crowe (HK) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Carpenter Tan Holdings Limited
Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 27 March 2026

INDEPENDENT AUDITOR'S REPORT



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CARPENTER TAN HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 148, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, 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 to the consolidated financial statements, including material accounting policy 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.

INDEPENDENT AUDITOR'S REPORT

NET REALISABLE VALUE OF INVENTORIES

Refer to notes 4 and 18 to the consolidated financial statements and the accounting policies on note 2(H) to the consolidated financial statements.

THE KEY AUDIT MATTER

Assessing net realisable value is an area of significant judgement, with specific consideration in relation to the estimate of write-down of slow-moving and obsolete inventory. Considered that the characteristic of the raw materials, they are ready for use after storing for a period of time which is around 2 to 3 years. However, the demand and ability of the Group to sell these inventories in the future may be adversely affected by many factors, such as changes in customers and consumer preferences, competitor activities including pricing and the introduction of new products.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We have checked the accuracy of stock ageing of the inventories, on a sample basis, with reference to the relative warehouse record. We have performed review of the ageing analysis of the inventory reports to identify any issues in respect of slow-moving items of the inventories.

We have assessed the demand for the Group's inventories by reference to the sales patterns and trends of the Group's products before and after the year end, reviewed the confirmed sales orders from the customers.

We have reviewed the calculation of net realisable value of inventories, on a sample basis, with reference to the selling prices achieved on sales near and after the year-end, and checked that the inventories are stated at the lower of their costs and net realisable value.

We reviewed the subsequent utilisation of raw materials, on a sample basis, with reference to the subsequent usage report to identify obsolete inventories.

We have observed inventory counts to identify any defective or obsolete inventories.

OTHER INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards 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.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2026

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	558,223	505,436
Cost of sales		(212,921)	(200,234)
Gross profit		345,302	305,202
Other income and other net gain	6	45,045	42,456
Administrative expenses		(45,432)	(41,851)
Selling and distribution expenses		(96,945)	(85,624)
Other operating expenses		(30,820)	(6,638)
Profit from operations		217,150	213,545
Finance costs	7(C)	(664)	(611)
Profit before taxation	7	216,486	212,934
Income tax	8(A)	(45,459)	(41,455)
Profit for the year		171,027	171,479
Attributable to			
Owners of the Company		171,027	171,366
Non-controlling interests		–	113
Profit for the year		171,027	171,479
Earnings per share			
Basic and diluted	13	RMB68.76 cents	RMB68.90 cents

The accompanying notes form an integral part of these consolidated financial statements.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in Note 12.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
Profit for the year	171,027	171,479
Other comprehensive income/(expense) for the year		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	1,498	4,891
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	3,289	(6,454)
Other comprehensive income/(expense) for the year, net of nil income tax	4,787	(1,563)
Total comprehensive income for the year	175,814	169,916
Attributable to		
Owners of the Company	175,814	169,803
Non-controlling interest	–	113
Total comprehensive income for the year	175,814	169,916

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	14(A)	120,650	132,355
Right-of-use assets	14(B)	53,551	36,233
Investment properties	15	81,400	84,100
Intangible assets	16	–	–
Non-pledged fixed bank deposits with maturity over one year	23(A)	336,000	218,000
Other receivables, deposits and prepayments	20	4,459	624
		<u>596,060</u>	<u>471,312</u>
Current assets			
Inventories	18	308,556	292,498
Trade receivables	19	7,733	7,153
Other receivables, deposits and prepayments	20	36,702	10,656
Financial assets at fair value through profit or loss	21	80,669	80,791
Non-pledged fixed bank deposits with maturity more than 3 months, but within one year	23(A)	10,000	105,000
Cash and cash equivalents	23(A)	79,739	41,714
		<u>523,399</u>	<u>537,812</u>
Current liabilities			
Trade payables	24	12,099	9,507
Other payables and accruals	25	59,639	47,798
Income tax payable	22(A)	40,349	38,595
Lease liabilities	26	2,943	2,161
		<u>(115,030)</u>	<u>(98,061)</u>
Net current assets		<u>408,369</u>	<u>439,751</u>
Total assets less current liabilities		<u>1,004,429</u>	<u>911,063</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Deferred tax liabilities	22(B)	15,919	16,654
Deferred income	27	476	497
Lease liabilities	26	17,830	9,953
		<u>(34,225)</u>	<u>(27,104)</u>
NET ASSETS		<u>970,204</u>	<u>883,959</u>
CAPITAL AND RESERVES			
Share capital	28	2,189	2,189
Reserves	29	968,015	881,770
TOTAL EQUITY		<u>970,204</u>	<u>883,959</u>

Approved and authorised for issue by the board of directors on 27 March 2026.

Tan Chuan Hua
Director

Tan Lizi
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(A))	Capital reserve RMB'000 (Note 29(B))	Statutory reserves RMB'000 (Note 29(C))	Other reserves RMB'000 (Note 29(D))	Property revaluation reserve RMB'000 (Note 29(E))	Currency translation reserve RMB'000 (Note 29(F))	Retained profits RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2024	2,189	110,503	10,275	58,658	17,542	12,245	(21,479)	614,452	4,099	808,484
Profit for the year	-	-	-	-	-	-	-	171,366	113	171,479
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	4,891	-	-	4,891
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(6,454)	-	-	(6,454)
Total comprehensive income for the year	-	-	-	-	-	-	(1,563)	171,366	113	169,916
Dividends approved in respect of the previous year (note 12)	-	-	-	-	-	-	-	(89,996)	-	(89,996)
Transfer to reserve	-	-	-	18	-	-	-	(18)	-	-
Equity transaction with non-controlling shareholders (note 17(B))	-	-	-	-	(233)	-	-	-	(4,212)	(4,445)
At 31 December 2024 and 1 January 2025	2,189	110,503	10,275	58,676	17,309	12,245	(23,042)	695,804	-	883,959
Profit for the year	-	-	-	-	-	-	-	171,027	-	171,027
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	1,498	-	-	1,498
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	3,289	-	-	3,289
Total comprehensive income for the year	-	-	-	-	-	-	4,787	171,027	-	175,814
Dividends approved in respect of the previous year (note 12)	-	-	-	-	-	-	-	(89,569)	-	(89,569)
Transfer to reserve	-	-	-	-	-	-	-	-	-	-
At 31 December 2025	<u>2,189</u>	<u>110,503</u>	<u>10,275</u>	<u>58,676</u>	<u>17,309</u>	<u>12,245</u>	<u>(18,255)</u>	<u>777,262</u>	<u>-</u>	<u>970,204</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
Profit before taxation		216,486	212,934
Adjustments for:			
Finance costs	7(C)	664	611
Interest income	6	(7,725)	(11,757)
Fair value loss on investment properties	6	2,700	7,470
Loss on disposal of financial assets at fair value through profit or loss		2	–
Fair value gain on financial assets at fair value through profit or loss	6	(669)	(816)
Loss on derecognition of property, plant and equipment	7(B)	24,332	–
Loss on disposal of property, plant and equipment	7(B)	15	331
Depreciation of property, plant and equipment	7(B)	6,090	6,273
Depreciation of right-of-use assets	7(B)	4,551	3,858
Write down of inventories	7(B)	2,259	2,851
Reversal of write-down of inventories	7(B)	(320)	–
Government grants released from deferred income	6	(21)	(21)
Recognition of loss allowance on trade receivables, net	6	7	24
Recognition of loss allowance on other receivables, net	7(B)	8	21
Write off on other receivables	7(B)	–	666
Reversal of provision for sales returns	7(B)	(760)	(783)
Operating profit before working capital changes		247,619	221,662
Increase in inventories		(17,997)	(47,213)
Increase in trade receivables		(587)	(369)
(Increase)/decrease in other receivables, deposits and prepayments		(30,693)	872
Increase in trade payables		2,592	2,651
Increase/(decrease) in other payables and accruals		12,459	(1,879)
Cash generated from operations		213,393	175,724
Interest received		8,529	8,536
Income tax paid		(39,887)	(33,373)
Withholding tax paid		(4,585)	(4,500)
Net cash generated from operating activities		177,450	146,387

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Investing activities			
Purchase of property, plant and equipment		(18,775)	(33,081)
Withdrawal of non-pledged fixed bank deposits with maturity over 3 months but within 1 year		105,000	300,000
Placement of non-pledged fixed bank deposits with maturity over 3 months but within 1 year		(10,000)	(105,000)
Withdrawal of non-pledged fixed bank deposits with maturity over 1 year		10,000	53,000
Placement of non-pledged fixed bank deposits with maturity over 1 year		(128,000)	(218,000)
Payment for purchase of financial assets at fair value through profit or loss	21	(160,000)	(80,000)
Proceeds from sale of financial assets at fair value through profit or loss	21	160,789	10,025
Proceeds from disposal of property, plant and equipment		32	50
Net cash used in investing activities		(40,954)	(73,006)
Financing activities			
Dividend paid	23(B)	(89,569)	(89,996)
Capital element of lease liabilities paid	23(B)	(13,208)	(2,433)
Interest element of lease liabilities paid	23(B)	(664)	(611)
Payment for acquisition of additional interest in a subsidiary	17(B)	–	(4,445)
Net cash used in financing activities		(103,441)	(97,485)
Net increase/(decrease) in cash and cash equivalents		33,055	(24,104)
Cash and cash equivalents at beginning of year	23(A)	41,714	67,381
Effect of foreign exchange rate changes, net		4,970	(1,563)
Cash and cash equivalents at end of year	23(A)	79,739	41,714

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. GENERAL INFORMATION

Carpenter Tan Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Type A Factory Building, Longbao Shuanghekou, Light Industry Park, Wanzhou District, Chongqing, the People’s Republic of China (the “PRC”) respectively.

The functional currency of the Company and its principal subsidiaries in Hong Kong, and its principal subsidiaries in the PRC are Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors.

The Company is an investment holding company and also engaged in the operation of retail shops for direct sale of the Group’s products in Hong Kong. The subsidiaries of the Company are principally engaged in (i) design, manufacture and distribution of small size wooden handicrafts and accessories, including wooden combs, wooden mirrors, wooden box set and other wooden accessories and adornments, under the brand name of “Carpenter Tan”; (ii) the operation of a franchise and distribution network primarily in the PRC; and (iii) the operation of retail shops for direct sale of the Group’s products in Hong Kong, the PRC and Singapore.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

A) STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and amendments to HKFRS Accounting Standards which are mandatorily effective or available for early adoption for the current accounting period of the Group. Note 3 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 and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

B) BASIS OF PREPARATION OF THE CONSOLIDATED 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”).

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, rounded to the nearest thousand except for per share data.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for the investment properties and financial assets at fair value through profit or loss (“FVPL”) are stated at their fair value as explained in the accounting policies set out below.

The preparation of consolidated 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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities 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 a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

C) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

C) SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(Continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(H)(II)).

D) PROPERTY, PLANT AND EQUIPMENT

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(G)(II)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(E));
- right-of-use assets arising from leases over 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(E)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

D) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than construction in progress, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	Over the shorter of the estimated useful lives and the unexpired lease terms, being no more than 50 years after the date of completion
Leasehold improvements	Over the unexpired lease terms
Plant and equipment	5 to 10 years
Furniture and fixtures	5 to 6 years
Motor vehicles	5 to 6 years

Construction in progress represents buildings, leasehold improvements, and plant and equipment on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by the end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss on the date of retirement or disposal.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss. The cost of those items is measured in accordance with the measurement requirements of HKAS 2 Inventories ("HKAS 2"). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

E) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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

For a contract that contains lease component(s) and non-lease component(s), the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component(s) and are accounted for by applying other applicable standards.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense 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 (less any lease incentives receivable) 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. 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 in the accounting period in which they are incurred.

Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

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 plus any lease payments made at or before the commencement date less any lease incentives received, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, and is reduced by any lease incentives received. Except for that which is classified as investment property and measured at fair value, right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

E) LEASED ASSETS *(Continued)*

(I) AS A LESSEE *(Continued)*

When the Group obtains ownership of the underlying leased asset at the end of the lease term, upon exercising purchase option, the cost of the relevant right-of-use asset and the related accumulated depreciation and impairment loss are transferred to the appropriate category of property, plant and equipment.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to financial asset measured at amortised cost (see notes 2(G)(I) and 2(R)(III)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in cost of right-of-use assets.

The Group presents right-of-use assets, that do not meet the definition of investment property, as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate used to determine those payments, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. When there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, being the interest rate implicit in the lease for the remainder of the lease term, or the relevant group entity’s incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. When the lease liability is remeasured in either of these ways, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) and that is not accounted for as a separate lease. In this case, the consideration in the modified contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of non-lease components. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

E) LEASED ASSETS *(Continued)*

(II) AS A LESSOR

When the Group acts as a lessor, it 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. If this is not the case, the lease is classified as an operating lease. Initial direct costs attributable to finance lease are included in the initial measurement of the net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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(R)(IV).

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

When the Group is an intermediate lessor, the sub-lease is classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(E)(I), then the Group classifies the sub-lease as an operating lease.

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payments, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

F) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(E)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(R)(IV).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(1) *CREDIT LOSSES FROM FINANCIAL INSTRUMENTS*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including bank deposits, cash and bank balances, trade receivables, other receivables and deposits which are held within an business model for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including financial assets at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS *(Continued)*

Measurement of ECLs *(Continued)*

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected life of a financial instrument.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix/internal credit rating based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

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

- 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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS *(Continued)*

Significant increase in credit risk *(Continued)*

- an actual or expected internal credit rating downgrade for the borrower;
- an actual or expected significant change in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- significant changes in the expected performance and behaviour of the borrower.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS *(Continued)*

Measurement and recognition of ECL *(Continued)*

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, with the exception of trade receivables, other receivable and deposits where the corresponding adjustment is recognised through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(R)(III) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS *(Continued)*

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

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.

(II) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(II) IMPAIRMENT OF NON-FINANCIAL ASSETS (Continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(III) 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 apply at the end of the financial year.

H) INVENTORIES

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

I) TRADE AND OTHER RECEIVABLES

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

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, using the effective interest method, less allowance for ECL (see note 2(G)(I)).

J) TRADE AND OTHER PAYABLES

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

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(G)(I).

Cash at bank excludes bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 23.

L) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Other financial assets represented unlisted wealth management product investments which are classified as FVPL. These investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. The investments are initially stated at fair value, which is their transaction price excluding transaction costs which are recognised directly in profit or loss, unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At the end of each reporting period the fair value is remeasured. Changes in the fair value of the investments (including interest) are recognised in profit or loss.

For an explanation of how the Group determine fair value of financial instruments, see note 31(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(M) DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(N) DERECOGNITION OF FINANCIAL LIABILITIES

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

(O) EMPLOYEE BENEFITS

(I) *SHORT-TERM EMPLOYEE BENEFITS AND CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the municipal government of the PRC where a group entity operates. The Group are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

(II) *TERMINATION BENEFITS*

Termination benefits are recognised at the earlier date when the Group can no longer withdraw the offer of those benefits or when it recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

O) EMPLOYEE BENEFITS *(Continued)*

(III) DEFINED BENEFIT PLAN OBLIGATIONS

The Group has a defined benefit plan, representing long service payment (“LSP”) under the Hong Kong Employment Ordinance. The Group’s net defined benefit obligation is measured by discounting the estimated cost to the Group of the benefit that employees have earned in return for their service in the current and prior periods, after deducting the negative service cost arising from the accrued benefits derived from the Group’s MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

P) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire.

The limited exceptions to recognition of deferred tax assets and liabilities are:

- temporary differences arising from goodwill not deductible for tax purposes,
- temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and do not give rise to equal taxable and deductible temporary differences,

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

P) INCOME TAX *(Continued)*

- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future, and
- temporary differences related to 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in 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 properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

P) INCOME TAX *(Continued)*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If it is probable that the taxation authority will accept an uncertain tax treatment, the Group shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used by a group entity in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount method or the expected value method, depending on which method the Group expects to better predict the resolution of the uncertainty.

Q) PROVISIONS, CONTINGENT LIABILITIES AND ONEROUS CONTRACTS

(I) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(II) ONEROUS CONTRACTS

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials); and an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract.

R) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or rental income from operating leases of the Group's investment properties under leases in the ordinary course of the Group's business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

R) REVENUE AND OTHER INCOME *(Continued)*

In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue is recognised when control over a product or service is transferred to the customers, 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 follows:

(I) Sale of goods

Revenue is recognised when the customer accepts and takes the control of the products. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax ("VAT").

Customers are generally required to make payments for orders prior to delivery of goods. Credit terms within 30 days are granted to those customers with high credibility. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group typically offers customers the right to return the eligible products for a period of 7 days to 1 year upon customer acceptance. Such rights of return give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. A provision for sales return is recognised for the expected returns. The Group updates the measurement of the provision for sales return at the end of each reporting period for changes in expectations about the amount of refunds and recognises corresponding adjustments as revenue. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods). At the end of each reporting period, the Group updates the measurement of the asset arising from changes in expectations about products to be returned. The asset is separately presented from the provision for sales return.

(II) Franchise joining fee income

Franchise joining fee income is recognised when the franchise agreements are entered into with franchise shops.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

R) REVENUE AND OTHER INCOME *(Continued)*

(III) Interest income

Interest income is recognised as it accrues under the effective interest method using 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. For financial assets (other than purchased or originated credit-impaired financial assets) measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(IV) Rental income from operating leases

Rental income from operating leases is recognised on a straight-line basis over the period of the relevant leases.

(V) Value-Added Tax ("VAT") refund

Value-Added Tax ("VAT") refund is recognised as income when the Group's rights to receive the VAT refund has been established.

(VI) Government grants

Government grants are recognised 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 or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in profit or loss of the period in which it becomes receivable. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset.

S) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's net investment in the foreign operation.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates and are not re-translated. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the date the fair value was measured. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

S) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

The results of operations in foreign currencies outside the PRC are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the foreign exchange rates ruling at the dates of the transactions are used. Items in the statement of financial position are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve.

The functional currency of the Company is Hong Kong dollars (“HK\$”). For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors. Exchange differences relating to the retranslation of the Group’s net assets in HK\$ to the Group’s presentation currency (RMB) are recognised directly in other comprehensive income and accumulated in currency translation reserve. Such exchange differences accumulated in the currency translation reserve are not reclassified to profit or loss subsequently.

T) 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 the entity and a subsidiary of the Group 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

U) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the discrete financial information provided regularly to the board of directors, which is the Group's chief operating decision maker ("CODM"), for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and 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.

V) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds. Consideration paid, including any directly attributable incremental costs, for purchase of the Company's ordinary shares is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

The Group has applied the following new and amendments to HKFRS Accounting Standards as issued by the HKICPA to these financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2025:

Amendments to HKAS 21	Lack of Exchangeability
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The Group has not applied any amendments to HKFRS Accounting Standards that are not yet mandatorily effective for the current accounting period. The application of the new and amendments to HKFRS Accounting Standards, HKASs and guidance from HKICPA in the current year has no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

AMENDMENTS TO HKAS 21 LACK OF EXCHANGEABILITY

The amendments specify a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. When a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the prevailing economic conditions.

When a currency is not exchangeable, an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments have no material impact on the consolidated financial statements for the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

A) SIGNIFICANT ACCOUNTING JUDGEMENT IN APPLYING THE ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(I) *WITHHOLDING TAXES ARISING FROM THE DISTRIBUTIONS OF DIVIDENDS*

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits in the PRC will not be distributed in the foreseeable future, no withholding taxes are provided.

(II) *DEFERRED TAXATION ON INVESTMENT PROPERTIES*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

(III) *DETERMINING THE METHOD TO ESTIMATE VARIABLE CONSIDERATION AND ASSESSING THE CONSTRAINT FOR THE SALE OF GOODS*

As disclosed in Note 2(R)(I), contracts for the sale of goods to franchisees customers include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determines that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration attributable to right of return in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determines that the estimate of variable consideration attributable to right of return is not constrained based on its historical experience.

B) KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(I) *WRITE-DOWN OF INVENTORIES*

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-down requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

B) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(II) IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group assesses annually whether property, plant and equipment and right-of-use assets have any indication of impairment. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in-use or fair value less costs of disposal calculations. These calculations require the use of judgements and estimates.

(III) VALUATION OF INVESTMENT PROPERTIES

Investment properties are included in the consolidated statement of financial position at their open market value, which is assessed by independent qualified valuers, determined by making reference to comparable sales evidence as available in the relevant market or capitalised rents derived from the existing tenancies with taking into account reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices, market yield and market rents.

(IV) DEPRECIATION AND AMORTISATION

The Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation and amortisation expenses charged for the year. The useful lives of assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes and product obsolescence. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(V) IMPAIRMENT ON TRADE AND OTHER RECEIVABLES

Allowance for trade and other receivables are assessed and provided based on the Group's regular review of ageing analysis and evaluation of collectibles.

In considering the allowance that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that have to be adopted is about the ability of the debtors to settle the receivables. Even though the Group has used all available information to make this estimation, inherent uncertainties exist and actual uncollectible amounts may be higher than the amount estimated.

(VI) VARIABLE CONSIDERATION FOR SALES RETURNS

The franchisees of the Group are allowed (after deducting certain administrative charges, if applicable): (i) to exchange or claim a refund for defective products; (ii) to return products previously purchased which are in good condition and resaleable upon the termination of the franchise agreement; and (iii) to exchange or claim a refund for slow-moving products purchased more than six months but less than one year which are in good condition and resaleable. The amount of the products exchanged or refunded by a particular franchisee for a year should not exceed 3% of its total purchase for that year (except those returns resulted from the termination of the franchise agreements).

As disclosed in Note 2(R)(I), the Group estimates variable consideration to be included in the transaction price for the sale of goods to franchisees customers with right of returns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

B) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(VI) VARIABLE CONSIDERATION FOR SALES RETURNS (Continued)

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group makes provision for sales returns based on the Group's past return experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the past return experience is not indicative of future returns. Any increase or decrease in the provision would affect profit or loss.

The Group updates its assessment of expected returns annually and the provision for sales return are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. At 31 December 2025, refund liabilities for provision for sales returns attributable to expected returns amount to RMB1,419,000 (2024: RMB2,179,000).

(VII) INCOME TAX

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. Deferred income tax liabilities on temporary differences relating to undistributed profits of the Group's subsidiaries in Mainland China are recognised to the extent that profits are expected to be distributed as the Company controls and pre-determines the dividend policy of these subsidiaries and management expects it is probable that profits will be partly retained and not distributed from these subsidiaries to their foreign holding companies in the foreseeable future. Management reassesses its expectation at each end of the reporting period.

(VIII) FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Where the fair value of financial assets cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(IX) LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiary that does not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. REVENUE

The principal activities of the Group are design, manufacture and distribution of small wooden handicrafts and accessories under the brand name of “Carpenter Tan”; the operation of a franchise and distribution network primarily in the PRC; and the operation of retail shops for direct sale of the Group’s products in Hong Kong, Singapore and the PRC. Revenue represents the considerations to which the Group expects to be entitled in exchange for those goods or services within the scope of HKFRS 15.

Disaggregation of revenue from contracts with customers by sales channels is as follows:

	2025 RMB’000	2024 RMB’000
Online business		
– Sales of goods	<u>228,738</u>	<u>209,636</u>
Offline business		
– Sales of goods	<u>323,983</u>	<u>290,161</u>
– Franchise joining fee income	<u>712</u>	<u>1,179</u>
	<u>324,695</u>	<u>291,340</u>
Directly-operated outlets		
– Sales of goods	<u>4,790</u>	<u>4,460</u>
	<u>558,223</u>	<u>505,436</u>

The Group’s customer base is diversified. No individual customer (2024: nil) had transaction which exceeded 10% of the Group’s aggregate revenue for the year ended 31 December 2025.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. OTHER INCOME AND OTHER NET GAIN

	2025 RMB'000	2024 RMB'000
Government grants (note (I))	3,313	833
Government grants released from deferred income (note 27)	21	21
Interest income from financial assets measured at amortised cost		
– bank interest income	7,725	11,757
PRC VAT refunds (note 8(A)(VI))	30,898	28,904
Operating lease rental income from investment properties	2,899	4,743
Net foreign exchange (loss)/gain	(124)	4
Change in fair value of investment properties (note 15)	(2,700)	(7,470)
Loss on disposal of property, plant and equipment	(15)	(331)
Loss of allowance on trade receivables	(7)	(24)
Change in fair value of financial assets at fair value through profit or loss (note 21)	669	816
Others	2,366	3,203
	<u>45,045</u>	<u>42,456</u>

Note:

- (I) In 2025, among the government grants, approximately RMB3,313,000 (2024: approximately RMB833,000) was for the PRC subsidiaries of the Group. It was the funding support mainly from Chongqing Regulatory Bureau, Ministry of Finance, Chongqing Provincial Human Resources and Social Security Department and the Economic and Information Technology Committee (the “Funds”). The purposes of the Funds are to encourage the involvement in overseas marketing by granting financial assistance to commercial entities who have involved in certain marketing activities outside the PRC; to promote a stable employment environment and prevent unemployment risks by granting financial assistance to commercial entities whose structure, lay off rate, contributions to unemployment insurance meet certain criteria; and to promote the high quality development of the manufacturing industry in the PRC. There are no unfulfilled conditions and other contingencies attaching to these grants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2025 RMB'000	2024 RMB'000
A) Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	107,251	95,885
Contributions to defined contribution retirement scheme	12,605	11,162
Total staff costs (note (I))	<u>119,856</u>	<u>107,047</u>
B) Other items		
Auditor's remuneration		
– audit services	726	729
– non-audit services	230	240
Cost of inventories sold (note (I) and 18)	210,982	197,383
Change in fair value of investment properties (note 15)	2,700	7,470
Depreciation of right-of-use assets (note (I))	4,551	3,858
Depreciation of property, plant and equipment (note (I))	6,090	6,273
Loss allowance on trade receivables (note 19(B))*	7	24
Loss allowance on other receivables (note 20(A))	8	21
Loss on disposal of property, plant and equipment	15	331
Loss on derecognition of property, plant and equipment (note 14(A))*	24,332	–
Reversal of provision for sales returns (note 25(A))	(760)	(783)
Write down of inventories (note 18)	2,259	2,851
Write off on other receivables	–	666
Reversal of write-down of inventories (note 18)	(320)	–
Gross rental income from investment properties	(2,899)	(4,743)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	438	679
Net rental income	<u>(2,461)</u>	<u>(4,064)</u>
C) Finance cost		
Interest on lease liabilities (notes 14(B) and 23(B))	<u>664</u>	<u>611</u>

Note:

(I) Cost of inventories includes approximately RMB73,037,000 (2024: RMB65,686,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

* These items are included in "other operating expenses" on the face of the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. INCOME TAX

A) Taxation in the consolidated statement of profit or loss represents:

	2025 RMB'000	2024 RMB'000
Current tax		
PRC Enterprise Income Tax (notes (I) and (II))	37,965	34,631
Hong Kong profits tax (note (IV))	–	–
Singapore Corporate Income Tax (note (VII))	–	–
Withholding tax on dividends (note (V))		
– Provision for the year	10,557	7,838
	<u>48,522</u>	<u>42,469</u>
(Over)/under provision in prior years, net		
PRC Enterprise Income Tax	(2,328)	275
	<u>46,194</u>	<u>42,744</u>
Deferred tax		
Transfer to current tax upon distribution of dividends (note 22(B))	–	–
Provision for the year (note 22(B))	(735)	(1,289)
	<u>45,459</u>	<u>41,455</u>
Total	<u>45,459</u>	<u>41,455</u>

Notes:

- (I) On 6 April 2012, the State Administration of Taxation of the PRC (the “SAT”) issued notice No. 12 which specified that enterprises fall under the categories of several other published lists of encouraged business activities prior to the announcement of the list of national encouraged business activities in the western region can apply for the concessionary Enterprise Income Tax rate of 15% from 2011 in accordance with Caishui (2011) No. 58. Such concession will be revoked if the enterprises subsequently do not meet the requirement.

On 29 May 2012, Chongqing Carpenter Tan Handicrafts Co., Ltd (“Carpenter Tan”), wholly-owned subsidiary, obtained the approval from Wanzhou Bureau of the State Administration of Taxation under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020. On 23 April 2020, the SAT extended the policy from 1 January 2021 to 31 December 2030.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. INCOME TAX *(Continued)*

A) Taxation in the consolidated statement of profit or loss represents: *(Continued)*

Notes: *(Continued)*

- (II) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2024: 25%) except for Carpenter Tan which is eligible for the income tax concessions according to the preferential tax policies for both years of 2024 and 2025 as stated in note 8(A)(I) above.
- (III) The Company is incorporated in the Cayman Islands and is exempted from income tax in the Cayman Islands. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.
- (IV) No provision for Hong Kong profits tax has been made for the years ended 31 December 2025 and 2024 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for both years.
- (V) Under the Enterprise Income Tax Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

The Group enjoyed the reduced 5% tax rate prior to 31 December 2013. In 2014, the Group applied again for the reduced rate and was requested to meet certain additional review procedures that were not required in previous years.

As at the date of the financial statements, the relevant formalities for the reduced tax rate have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019.

- (VI) Pursuant to the notice on preferential tax policies to entities with disabilities issued by the SAT, Ministry of Finance of the PRC that, Carpenter Tan, a wholly-owned subsidiary of the Group, is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT since 24 November 2016.

The Group recognised the VAT refund in the Group's consolidated statement of profit or loss on an accrual basis. The amounts of the VAT refunded to the Group during the year are detailed in note 6.

- (VII) No provision for Singapore Corporate Income tax has been made for the year ended 31 December 2025 as the subsidiary did not have assessable project to Singapore Corporate Income tax for the year ended 31 December 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. INCOME TAX (Continued)

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

	2025 RMB'000	2024 RMB'000
Profit before taxation	216,486	212,934
Tax charge at domestic tax rates applicable to profits in the countries concerned	53,993	52,461
Tax effect of non-deductible expenses	8,308	1,540
Tax effect of non-taxable incomes	(4,082)	(3,291)
Effect of tax concessions granted to subsidiaries (note 8(A)(VI))	(6,622)	(5,501)
Effect of concessionary tax rate enjoyed by subsidiaries (note 8(A)(I))	(13,399)	(12,335)
Unrecognised temporary differences	(743)	(3)
Unrecognised tax losses	20	506
Utilisation of previously unrecognised tax losses	(245)	(35)
Withholding tax on dividends (note 8(A)(V))	10,557	7,838
(Over)/under provision in prior years	(2,328)	275
Income tax expense	45,459	41,455

9. DIRECTORS' EMOLUMENTS

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:

For the year ended 31 December 2025

Name of director	Directors' fees	Salaries, allowance and benefits -in-kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Tan Chuan Hua	88	65	134	–	287
Mr. Tan Di Fu	88	–	–	–	88
Mr. Luo Hongping	88	219	527	42	876
Mr. Tan Lizi (note 9(B))	81	430	8	47	566
Ms. Liu Kejia (note 9(B))	81	201	495	48	825
Independent non-executive directors					
Mr. Chau Kam Wing, Donald	132	–	–	–	132
Ms. Liu Liting	88	–	–	–	88
Mr. Yang Tiannan (note 9(C))	73	–	–	–	73
Dr. Wong Kong Tin (note 9(D))	15	–	–	–	15
	734	915	1,164	137	2,950

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FOR THE YEAR ENDED 31 DECEMBER 2025

9. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2024

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Tan Chuan Hua	88	65	134	–	287
Mr. Tan Di Fu	88	–	–	–	88
Mr. Luo Hongping	88	219	530	42	879
Independent non-executive directors					
Mr. Chau Kam Wing, Donald	132	–	–	–	132
Ms. Liu Liting	88	–	–	–	88
Mr. Yang Tiannan	88	–	–	–	88
	<u>572</u>	<u>284</u>	<u>664</u>	<u>42</u>	<u>1,562</u>

The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments were for their services as directors of the Company.

Notes:

- A) No emoluments were paid or payable by the Group to the directors and chief executive as an inducement to join or upon joining the Group for both years. None of the directors waived or agreed to waive any emoluments for the years ended 31 December 2025 and 2024.
- B) Mr. Tan Lizi and Ms. Liu Kejia were appointed as executive directors on 1 February 2025.
- C) Mr. Yang Tiannan resigned as independent non-executive director on 31 October 2025.
- D) Dr. Wong Kong Tin appointed as independent non-executive director on 1 November 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included three director (2024: one) of the Company whose emoluments are disclosed in note 9 above. Details of the aggregate emoluments paid by the Group to the remaining two (2024: four) non-director individuals during the year are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	232	612
Bonus	754	1,453
Retirement scheme contributions	48	139
	<u>1,034</u>	<u>2,204</u>

The emoluments of the two (2024: four) individuals (who are not directors of the Company) with the highest emoluments are within the following band:

	2025 Number of individuals	2024 Number of individuals
Nil up to HK\$1,000,000 (equivalent to RMB920,000 (2024: RMB923,000))	<u>2</u>	<u>4</u>

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

11. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. This information is reported to and reviewed by the board of directors, which is the chief operating decision maker of the Group, for the purpose of resources allocation and performance assessment.

Management considers the business from a product perspective and assesses its performance based on revenues derived from a broad range of sales of wooden handicrafts and accessories. Over 90% of the Group's revenue, results and assets are derived from a single segment which is manufacture and sales of wooden handicrafts and accessories. No segment information is presented accordingly.

The Group's revenue and results from operations mainly derived from activities in the PRC. Activities outside the PRC are insignificant. The principal assets of the Group are located in the PRC. Accordingly, no geographical information is provided.

MAJOR CUSTOMERS

No analysis of the Group's revenue and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10% of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. DIVIDENDS

I) DIVIDENDS PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2025 RMB'000	2024 RMB'000
Final dividend of HK38.31 cents, equivalent to RMB34.44 cents per ordinary share (2024: HK36.63 cents, equivalent to RMB34.43 cents) proposed after the end of the reporting period (Note I)	<u>85,657</u>	<u>85,632</u>

Note I:

The Directors recommend the payment of a final dividend of HK38.31 cents, equivalent to RMB34.44 cents per ordinary share, totaling RMB85,657,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on Friday, 22 May 2026. These financial statements do not reflect this recommended dividends.

II) DIVIDENDS PAYABLE TO OWNERS 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 financial year ended 31 December 2024, approved and paid during the current year, of HK36.63 cents, equivalent to RMB32.93 cents per ordinary share (2024: in respect of the financial year ended 31 December 2023, approved and paid during the year ended 31 December 2024, of HK38.64 cents, equivalent to RMB36.18 cents per ordinary share)	<u>89,569</u>	<u>89,996</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13. BASIC AND DILUTED EARNINGS PER SHARE

A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following profit attributable to owners of the Company and weighted average number of ordinary shares outstanding:

(I) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Earnings used in calculating basic earnings per share	<u>171,027</u>	<u>171,366</u>

(II) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Number of shares	
	2025 '000	2024 '000
Weighted average number of ordinary shares outstanding	<u>248,714</u>	<u>248,714</u>

B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the years ended 31 December 2025 and 2024 was the same as the basic earnings per share as there was no dilutive potential shares in issue during the years ended 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

14. PROPERTY, PLANT AND EQUIPMENT

A) PROPERTY, PLANT AND EQUIPMENT

	Buildings (Note I) RMB'000	Leasehold improvements RMB'000	Plant and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2024	42,894	16,183	28,951	13,602	1,874	52,624	156,128
Additions	-	118	609	536	282	31,536	33,081
Disposals	-	-	(922)	(316)	(142)	-	(1,380)
Transfer	39,025	6,161	2,647	3,680	-	(51,513)	-
Exchange differences	-	14	-	-	-	-	14
At 31 December 2024 and 1 January 2025	81,919	22,476	31,285	17,502	2,014	32,647	187,843
Additions	-	1,840	495	785	53	15,602	18,775
Derecognised for the year	(33,556)	(3,677)	(354)	(624)	-	-	(38,211)
Disposals	-	-	(620)	(113)	(55)	-	(788)
Transfer	39,559	1,170	1,158	1,264	-	(43,151)	-
Exchange differences	-	(34)	-	4	-	-	(30)
At 31 December 2025	87,922	21,775	31,964	18,818	2,012	5,098	167,589
Accumulated depreciation							
At 1 January 2024	12,813	8,026	17,346	10,639	1,379	-	50,203
Charge for the year	1,488	869	1,846	1,950	120	-	6,273
Eliminated on disposals	-	-	(562)	(309)	(128)	-	(999)
Exchange differences	-	11	-	-	-	-	11
At 31 December 2024 and 1 January 2025	14,301	8,906	18,630	12,280	1,371	-	55,488
Charge for the year	1,817	982	1,916	1,265	110	-	6,090
Eliminated on derecognition	(11,471)	(1,725)	(203)	(480)	-	-	(13,879)
Eliminated on disposals	-	-	(587)	(102)	(52)	-	(741)
Exchange differences	-	(19)	-	-	-	-	(19)
At 31 December 2025	4,647	8,144	19,756	12,963	1,429	-	46,939
Carrying amounts							
At 31 December 2025	83,275	13,631	12,208	5,855	583	5,098	120,650
At 31 December 2024	67,618	13,570	12,655	5,222	643	32,647	132,355

Note I:

Included in buildings is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB22,085,000 (2024: RMB23,384,000) as at 31 December 2025. The Group purchased the property from 蘇州建興置業有限公司 (the "developer") in 2013. The Group has fully paid the cost of the buildings but at the end of the reporting period, the Group has not obtained the ownership certificate yet. The Group has litigations against the developer these years. Since the year ended 31 December 2021, the developer was under liquidation procedure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Note I: (Continued)

During the year, the Group received the civil ruling issued by the Jiangsu Higher People's Court (the "Jiangsu Higher Court") dated 29 December 2025 (the "Final Ruling"). The Final Ruling represents the exhaustion of the ordinary judicial appeal process in the PRC. Based on the assessment by the management of the Group and with reference to the legal opinion from PRC legal advisor, there is no further possibility of appeal against the Final Ruling through the standard court hierarchy.

Based on the above, the management derecognised buildings and related property, plant and equipment with carrying amount of approximately RMB24,332,000 at 31 December 2025.

B) RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	2025 RMB'000	2024 RMB'000
Ownership interests in leasehold land held for own use, carried at cost less depreciation	(I)	22,751	23,165
Other leasehold land and buildings leased for own use, carried at cost less depreciation	(II)	30,800	13,068
		53,551	36,233

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	970	828
Other leasehold land and buildings leased for own use	3,581	3,030
	4,551	3,858
Interest on lease liabilities (note 7(C))	664	611
Expense relating to short-term leases	84	85
Variable lease payments not included in the measurement of lease utilities	202	139

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

B) RIGHT-OF-USE ASSETS *(Continued)*

During the year, additions to right-of-use assets were approximately RMB21,974,000 (2024: RMB1,616,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements for new leases.

The total cash outflow for leases is set out in note 23(C).

The maturity analysis of lease liabilities is set out in note 30(B)(IV).

(I) OWNERSHIP INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

The Group holds several leasehold land and industrial buildings for its manufacture of small size wooden handicrafts and accessories business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

Included in right-of-use assets is land use rights of a piece of land in Chongqing City Wanzhou District (the "Land") having carrying amount of approximately RMB5,257,000 (2024: RMB5,418,000) as at 31 December 2025. On 11 May 2011 萬州經濟技術開發區土地儲備中心 issued a notice to Carpenter Tan for the resumption of the Land. The Group originally intended to erect a production complex on the Land.

On 8 February 2012, Carpenter Tan received another notice from 萬州經濟技術開發區土地儲備中心, informing the Group that the Land will be resumed by the municipal government due to town planning and the Group will be compensated through an exchange with another piece of land. On 24 August 2017, the government officially announced that the Company could start to use the land as industrial purpose. The management has started to plan for a production complex on the land since 1 September 2017. The management expects that the fair value of the land will not be lower than the carrying amount of the land. The Group has commenced the development on the Land during the prior year, there is no material adverse effect on the business operation and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

B) RIGHT-OF-USE ASSETS *(Continued)*

(II) OTHER LEASEHOLD LAND AND BUILDINGS LEASED FOR OWN USE

The Group has obtained the right to use other properties as its warehouses and retail stores through tenancy agreements. The retail stores leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every year to reflect market rentals.

During the years ended 31 December 2025 and 2024, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong and Singapore where the Group operates. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

	Fixed payments RMB'000	2025 Variable payments RMB'000	Total payments RMB'000
Retail stores – Hong Kong	1,602	183	1,785
Retail stores – Singapore	149	19	168

	Fixed payments RMB'000	2024 Variable payments RMB'000	Total payments RMB'000
Retail stores – Hong Kong	1,511	139	1,650

In addition, the Group has obtained the right to use certain land to construct a production complex through tenancy agreements which run for an initial period of 18 years. Lease payments are usually increased every few years to reflect market rentals.

Lease liabilities of RMB20,774,000 are recognised with related right-of-use assets of RMB30,880,000 at 31 December 2025 (2024: lease liabilities of RMB12,114,000 and related right-of-use assets of RMB13,068,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2024	91,570
Net fair value loss recognised in profit or loss (note 6)	<u>(7,470)</u>
At 31 December 2024 and 1 January 2025	84,100
Net fair value loss recognised in profit or loss (note 6)	<u>(2,700)</u>
At 31 December 2025	<u>81,400</u>

The Group leases out certain commercial and residential property units under operating leases. The leases typically run for an initial period of 1 to 6 years (2024: 1 to 6 years). Lease payments are fixed over the lease terms.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and lessees' options to purchase the properties at the end of lease terms.

A) FAIR VALUE MEASUREMENT OF 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, that is, 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, that is, 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. INVESTMENT PROPERTIES *(Continued)*

A) FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(I) FAIR VALUE HIERARCHY *(Continued)*

	Fair value at	Fair value measurements as at		
	31 December	31 December 2025 categorised into		
	2025	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	4,300	–	–	4,300
– Commercial – PRC	77,100	–	–	77,100

	Fair value at	Fair value measurements as at		
	31 December	31 December 2024 categorised into		
	2024	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	4,300	–	–	4,300
– Commercial – PRC	79,800	–	–	79,800

During the years ended 31 December 2025 and 2024, 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 the fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2025 and 2024. The valuation was carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group. Cushman & Wakefield Limited has among its employee members of the Hong Kong Institute of Surveyors who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair values were determined by using Direct Comparison Approach or Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. The financial controller has discussion with the valuers on the valuation assumptions and valuation results as at 31 December 2025 and 2024.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. INVESTMENT PROPERTIES *(Continued)*

A) FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(II) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Investment properties	Valuation techniques	Unobservable input	Range
Residential – PRC	Direct Comparison Approach	(Discount)/premium to transaction price (including but not limited to location, size and layout/design of property)	-5% – 4% (2024: 0% – 5%)
Commercial – PRC	Income Capitalisation Approach	Market yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition	7.5% (2024: 7.5%)
		Monthly market rent per square meter, taking into account of factors such as location condition, size of property and layout/design	RMB79 – RMB231 (2024: RMB80 – RMB238)

The fair value of investment properties located in the PRC is determined by using Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market or, if applicable, Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. The fair value measurement is positively correlated to the adjusted transaction price and negatively correlated to the market yield.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. INVESTMENT PROPERTIES *(Continued)*

A) FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(II) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS *(Continued)*

There were no transfers into or out of Level 3 during the year. The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties		Total RMB'000
	Residential	Commercial	
	– PRC RMB'000	– PRC RMB'000	
At 1 January 2024	4,870	86,700	91,570
Net fair value loss recognised in profit or loss, included in other income and other net gain/loss	(570)	(6,900)	(7,470)
At 31 December 2024 and 1 January 2025	4,300	79,800	84,100
Net fair value loss recognised in profit or loss, included in other income and other net gain/loss	–	(2,700)	(2,700)
At 31 December 2025	4,300	77,100	81,400

All the fair value loss recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

The Group did not change any valuation techniques in determining the Level 3 fair values.

16. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,037
Carrying amount	
At 31 December 2025	–
At 31 December 2024	–

The trademark represents the trademark previously acquired by the Group and registered in the PRC. Subsequent expenditure on internally generated trademarks is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES

- (A) The following list contains only the particulars of those subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held, unless otherwise-stated, is ordinary.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest and voting power held by the Company		Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
		Directly	Indirectly			
Carpenter Tan (BVI) Holdings Group Co., Ltd ("CTBVI")	British Virgin Islands/ Hong Kong	100%	–	USD50,000	Investment holding	Private limited liability company
Hong Kong Carpenter Tan Company Limited ("CTHK")	Hong Kong	–	100%	HK\$1	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Carpenter Tan Development Company Limited ("CT Development")	Hong Kong	–	100%	HK\$10,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan")	The PRC	–	100%	RMB100,000,000	Design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network	Wholly foreign-owned enterprise
Beijing Carpenter Tan Handicrafts Company Limited ("Beijing Carpenter Tan")	The PRC	–	100%	RMB10,000,000	Property investment	Domestic enterprise
Jiangsu Carpenter Tan Tourism Development Company Limited ("Jiangsu Carpenter Tan")	The PRC	–	100%	RMB11,000,000	Distribution of small size wooden handicrafts and accessories through internet	Domestic enterprise
Jiangsu Mujianggu Tourism Development Company Limited ("Jiangsu Mujianggu")	The PRC	–	100%	USD13,000,000	Distribution of small size wooden handicrafts and accessories through internet	Wholly foreign-owned enterprise
Tan Mujiang Singapore Pte. Ltd. ("Singapore Carpenter Tan")	Singapore	–	100%	SGD80,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES *(Continued)*

(B) Equity Transaction with Non-Controlling Shareholder

In January 2024, the Group and the non-controlling shareholder entered into an agreement that the non-controlling shareholder would withdraw from Jiangsu Mujianggu and the Group would return the capital of RMB4,445,000 originally injected by the non-controlling shareholder. On the same date, the non-controlling shareholder also confirmed that other than its equity interest, it had no other rights and obligations to Jiangsu Mujianggu. The registered capital of Jiangsu Mujianggu would reduce from USD13,684,211 to USD13,000,000 and Jiangsu Mujianggu would become wholly foreign-owned enterprise of the Group. The transaction was completed in late March 2024.

	RMB'000
Consideration	4,445
Carrying amount of non-controlling interests acquired	<u>(4,212)</u>
Difference debited to other reserves	<u>233</u>

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	234,417	230,711
Work-in-progress	29,313	24,307
Finished goods	<u>44,826</u>	<u>37,480</u>
	<u>308,556</u>	<u>292,498</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	210,982	197,383
Write down of inventories	2,259	2,851
Reversal of write-down of inventories	<u>(320)</u>	<u>–</u>
	<u>212,921</u>	<u>200,234</u>

The reversal of write-down of inventories arose due to the slow-moving inventories were sold during the year.

Except for raw materials of RMB166,816,000 (2024: RMB201,224,000) that are expected to be recovered more than twelve months after the reporting period, all the other inventories are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. TRADE RECEIVABLES

Customers are generally required to make payments for orders prior to delivery of goods. Credit terms within 30 days are granted to those customers with high credibility. An ageing analysis of the trade receivables is as follows:

	2025 RMB'000	2024 RMB'000
Trade receivables from contracts with customers	7,809	7,222
Less: Loss allowance (note (B))	(76)	(69)
	<u>7,733</u>	<u>7,153</u>

A) Ageing analysis of trade receivables, net of loss allowance based on invoice date, which approximates the respective revenue recognition date, is as follows:

	2025 RMB'000	2024 RMB'000
0 to 30 days	3,516	5,617
31 to 60 days	1,933	799
61 to 90 days	1,238	315
91 to 180 days	375	52
181 to 365 days	153	163
Over 1 year	518	207
	<u>7,733</u>	<u>7,153</u>

B) Movements in the loss allowance for trade receivables

The movements in the loss allowance in respect of lifetime ECL recognised for trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
Opening loss allowance at 1 January	69	45
Loss allowance on trade receivables (note 6)	7	24
Closing loss allowance at 31 December	<u>76</u>	<u>69</u>

Loss allowance for trade receivables are considered individually by reference to their ageing and their recoverability. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Other receivables	7,342	6,515
Trade and other deposits	7,759	2,397
Prepayments	25,319	2,372
VAT and other non-income tax recoverable	894	141
	<u>41,314</u>	<u>11,425</u>
Less: Loss allowance (note (A))	(153)	(145)
	<u>41,161</u>	<u>11,280</u>
Representing:		
Current	36,702	10,656
Non-current	4,459	624
	<u>41,161</u>	<u>11,280</u>

Except for rental deposits of RMB4,459,000 (2024: RMB624,000) which are expected to be recovered after one year from the end of the reporting period, all other deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

A) Movements in the loss allowance for other receivables are as follows:

	2025 RMB'000	2024 RMB'000
Opening loss allowance at 1 January	145	124
Loss allowance	8	21
	<u>153</u>	<u>145</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

	2025	2024
	RMB’000	RMB’000
Financial assets mandatorily measured at FVPL: Principal Guaranteed Wealth Management Products, at fair value – maturity within one year	<u>80,669</u>	<u>80,791</u>

During the year ended 31 December 2025 and 2024, the Group’s financial assets at FVPL are unlisted investments with following movements:

	RMB’000
At 1 January 2024	10,000
Additions	80,000
Change in fair value* (note 6)	816
Disposal	<u>(10,025)</u>
At 31 December 2024 and 1 January 2025	80,791
Additions	160,000
Change in fair value* (note 6)	669
Loss on disposal	(2)
Disposal	<u>(160,789)</u>
At 31 December 2025	<u>80,669</u>

* Includes unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period:

	RMB’000
2025	669
2024	<u>791</u>

The amount represents investment in principal guaranteed wealth management products issued by banks in the PRC with expected return ranging from 1.28% to 2.22% per annum (2024: 1.50% to 2.37% per annum). They were mandatorily classified as financial assets at FVPL as their contractual cash flows are not solely payments of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. 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 1 January	38,595	33,724
Charged to profit or loss (note 8(A))	46,194	42,744
Exchange difference	32	-
Tax paid	(39,887)	(33,373)
Tax related to distribution of dividends	(4,585)	(4,500)
Reclassified from deferred tax upon distribution of dividends	-	-
	<u>40,349</u>	<u>38,595</u>
At 31 December	<u>40,349</u>	<u>38,595</u>
Representing:		
Income tax recoverable	-	-
Income tax payable	<u>40,349</u>	<u>38,595</u>
	<u>40,349</u>	<u>38,595</u>

B) Deferred tax assets and liabilities recognised:

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

	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends arising from undistributed profits of subsidiaries RMB'000	Right-of-use asset RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2025	4,446	11,914	-	2,964	(2,670)	16,654
(Credited)/charged to consolidated statement of profit or loss for the year (note 8(A))	-	(365)	-	1,556	(1,926)	(735)
At 31 December 2025	<u>4,446</u>	<u>11,549</u>	<u>-</u>	<u>4,520</u>	<u>(4,596)</u>	<u>15,919</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

B) Deferred tax assets and liabilities recognised: *(Continued)*

	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends arising from undistributed profits of subsidiaries RMB'000	Right-of-use asset RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	4,446	13,275	-	2,542	(2,320)	17,943
(Credited)/charged to consolidated statement of profit or loss for the year (note 8(A))	-	(1,361)	-	422	(350)	(1,289)
At 31 December 2024	<u>4,446</u>	<u>11,914</u>	<u>-</u>	<u>2,964</u>	<u>(2,670)</u>	<u>16,654</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

C) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB55,953,000 (2024: RMB57,153,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming one to five years, except for an amount of approximately RMB46,033,000 (2024: RMB48,824,000) which do not expire under current tax legislation.

D) Deferred tax liabilities not recognised

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2025, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB825,794,000 (2024: RMB709,807,000). Deferred tax liabilities of RMB41,265,000 (2024: RMB35,490,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

A) CASH AND BANK BALANCES

	2025 RMB'000	2024 RMB'000
Cash at banks and on hand	<u>79,739</u>	<u>41,714</u>
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	<u>79,739</u>	<u>41,714</u>
Non-pledged fixed bank deposits with maturity over three months but within one year	<u>10,000</u>	<u>105,000</u>
Non-pledged fixed bank deposits with maturity over one year	<u>336,000</u>	<u>218,000</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The interest rates for non-pledged fixed bank deposits during the year ended 31 December 2025 ranged from 1.75% to 3.05% (2024: from 2.10% to 3.58%) per annum.

As at 31 December 2025, the cash and bank balances and non-pledged fixed bank deposits that were placed with banks in Mainland China amounted to approximately RMB76,212,000 (2024: RMB36,927,000) and RMB346,000,000 (2024: RMB323,000,000), respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange controls.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Continued)*

B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Dividend payable	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
	(note 25)	(note 26)	
At 1 January 2024	1,812	12,817	14,629
Changes from financing cash flows	(89,996)	(3,044)	(93,040)
Exchange differences	70	114	184
New leases entered	–	1,616	1,616
Interest expenses (note 7(C))	–	611	611
Dividend declared in respect of the previous financial year (note 12(II))	89,996	–	89,996
At 31 December 2024 and 1 January 2025	1,882	12,114	13,996
Changes from financing cash flows	(89,569)	(13,872)	(103,441)
Exchange differences	(1,882)	(106)	(1,988)
New leases entered	–	21,974	21,974
Interest expenses (note 7(C))	–	664	664
Dividend declared in respect of the previous financial year (note 12(II))	89,569	–	89,569
At 31 December 2025	–	20,774	20,774

C) TOTAL CASH FLOWS FOR LEASES

Amounts included in the consolidated cash flow statement are as follows:

	2025	2024
	RMB'000	RMB'000
Within operating activities	286	224
Within financing activities	13,872	3,044
	14,158	3,268

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

24. TRADE PAYABLES

The credit terms granted by the suppliers are generally 30 days. Ageing analysis of trade payables presented based on the invoice date is as follows:

	2025 RMB'000	2024 RMB'000
0 to 30 days	6,295	5,209
31 to 60 days	3,572	3,211
61 to 90 days	844	777
91 to 180 days	1,163	104
181 to 365 days	74	95
Over 1 year	151	111
	<u>12,099</u>	<u>9,507</u>

25. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Dividend payable	–	333
Salary payable	21,092	16,746
Other payables and accruals	17,624	11,758
Provision for sales returns (note 25(A))	1,419	2,179
VAT and other non-income tax payables	3,335	550
Trade deposits received (note 25(C))	12,207	12,291
Contract liabilities (note 25(B))	3,962	3,941
	<u>59,639</u>	<u>47,798</u>

All other payables and accruals are expected to be settled within one year or are payable on demand.

(A) A reconciliation of the refund liabilities classified as provision for sales returns is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	2,179	2,962
Reversal for the year (note 7(B))	(760)	(783)
At 31 December	<u>1,419</u>	<u>2,179</u>

The provision for sales returns is determined by the Group using its accumulated historical experience to estimate the expected total sales returns for the year less the actual sales returns already taken place using the expected value method. The franchisees of the Group are allowed to return eligible products under certain conditions listed in note 4(B)(VI).

At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those sales returns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

25. OTHER PAYABLES AND ACCRUALS *(Continued)*

- (B) Customers are generally required to make payments for orders prior to delivery of goods. When the Group receives a deposit before the delivery of goods, this will give rise to contract liability.

The Group classifies the contract liabilities as current because the Group expects to settle them within its normal operating cycle, and all contract liabilities are expected to be recognised as income within one year.

The significant changes in contract liabilities for the year ended 31 December 2024 year are due to an increase in overall franchisees customers. There was no significant changes in contract liabilities for the year ended 31 December 2025.

Movements in contract liabilities

	2025 RMB'000	2024 RMB'000
Balance at 1 January	3,941	3,952
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(3,941)	(3,952)
Increase in contract liabilities as a result of receipts in advance from franchisees	3,962	3,941
Balance at 31 December	<u>3,962</u>	<u>3,941</u>

For the Group's contract liabilities from contracts with customers, there is no revenue recognised in the year ended 31 December 2025 from performance obligations satisfied (or partially satisfied) in previous periods (2024: RMB nil).

- (C) Trade deposits received are mainly the deposits received from the Group's franchisees as a security deposit upon entering into the franchise agreements with the Group. The balances are repayable to the franchisees upon the termination of the franchise agreements.

26. LEASE LIABILITIES

At 31 December 2025, the lease liabilities are payable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	2,943	2,161
After 1 year but within 2 years	1,497	2,013
After 2 years but within 5 years	10,376	1,391
After 5 years	5,957	6,549
	<u>17,830</u>	<u>9,953</u>
	<u>20,773</u>	<u>12,114</u>

The incremental borrowing rates applied to lease liabilities range from 3.1% to 5.6% (2024: 3.1% to 5.6%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

27. DEFERRED INCOME

Deferred income represents government grants received by the Group. The grants aimed to subsidise the Group for purchasing certain property, plant and equipment. Government grants are recognised as income over the useful lives of the relevant assets. During the year, the grants were spent for its intended purpose and the deferred income of RMB21,000 (2024: RMB21,000) was released to other income and other net gain (note 6).

28. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount equivalent to RMB
Ordinary shares of HK\$0.01			
Authorised:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	10,000,000,000	100,000,000	87,926,000
Issued and fully paid:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	248,714,000	2,487,140	2,189,160

(A) AUTHORISED SHARE CAPITAL

All shares rank pari passu in respect of voting rights, dividends and distribution of net assets.

(B) CAPITAL MANAGEMENT

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

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital and will balance its overall capital structure through new share issues of the Company, distribution of dividends, repayment of debts as well as the raising of new debts.

The Group is not subject to any externally imposed capital requirements.

Neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. RESERVES

THE GROUP

The capital and reserves of the Group are set out in the “Consolidated Statement of Changes in Equity”.

THE COMPANY

	Attributable to owners of the Company				Total RMB'000
	Share premium RMB'000 (note A)	Currency translation reserve RMB'000 (note F)	Other reserves RMB'000 (note D)	Retained profits RMB'000	
At 1 January 2024	110,503	(7,940)	(196)	24,883	127,250
Profit for the year	-	-	-	82,102	82,102
Exchange differences on translation from functional currency to presentation currency	-	4,891	-	-	4,891
Total comprehensive income for the year	-	4,891	-	82,102	86,993
Dividends approved in respect of the previous year (note 12)	-	-	-	(89,569)	(89,569)
At 31 December 2024 and 1 January 2025	110,503	(3,049)	(196)	17,416	124,674
Profit for the year	-	-	-	82,595	82,595
Exchange differences on translation from functional currency to presentation currency	-	1,498	-	-	1,498
Total comprehensive income for the year	-	1,498	-	82,595	84,093
Dividends approved in respect of the previous year (note 12)	-	-	-	(89,569)	(89,569)
Dividends declared in respect of the current year (note 12)	-	-	-	-	-
At 31 December 2025	110,503	1,551	(196)	10,442	119,198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. RESERVES (Continued)

Notes:

A) Share premium

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

B) Capital reserve

Capital reserve represents the excess of paid-up capital over the registered capital of the companies comprising the Group.

C) Statutory reserves

The PRC subsidiaries of the Group are required to transfer 10% of the profit after tax, as determined under the PRC accounting rules and according to their articles of association, to the statutory surplus reserve until the balance reaches 50% of their registered capital. The transfer to this reserve must be made before distributing dividends to shareholders. The reserve, upon approval by the relevant authorities, can be used to make up previous years' losses, expand existing operations or convert into additional capital of the subsidiaries.

D) Other reserves

Other reserves represent the difference between the consideration for the acquisition of the subsidiaries paid by the Group and the nominal value of the paid-up capital of the subsidiaries and share repurchased in prior years. It also included the difference between the consideration paid for the additional interest in Jiangsu Mujianggu and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the completion date of the transaction disclosed in note 17(B).

During the year 2018, the Company repurchased 50,000 shares at prices ranging from RMB3.92 to RMB3.93 through the Stock Exchange at a total consideration of approximately RMB196,000, these repurchased shares had not been cancelled as at 31 December 2025 and 2024.

E) Property revaluation reserve

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2(D).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. RESERVES (Continued)

Notes: (Continued)

F) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(S).

30. FINANCIAL INSTRUMENTS

A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2025 RMB'000	2024 RMB'000
Financial assets		
Trade receivables	7,733	7,153
Other receivables and deposits	14,947	8,766
Cash and bank balances	79,739	41,714
Non-pledged fixed bank deposits with maturity over one year	336,000	218,000
Non-pledged fixed bank deposits with maturity over three months but within 1 year	10,000	105,000
Financial assets measured at amortised cost	<u>448,419</u>	<u>380,633</u>
Financial assets at fair value through profit or loss	<u>80,669</u>	<u>80,791</u>
Financial liabilities		
Trade payables	12,099	9,507
Other payables	50,921	41,128
Lease liabilities	20,774	12,114
Financial liabilities measured at amortised cost	<u>83,794</u>	<u>62,749</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Group's financial instruments as stated in note 30(A) are disclosed in the respective note. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1) CURRENCY RISK

The Group is exposed to foreign currency risk primarily in cash and bank balances that are denominated in United States dollars ("US\$"), Euros ("Euro") and Singapore dollars ("SGD"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows.

	2025 RMB'000	2024 RMB'000
Assets		
US\$	404	312
Euro	106	97
SGD	492	–
	<u>1,002</u>	<u>409</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used by management's assessment of reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 5% change in foreign currency rates. A positive number indicates an increase in profit where RMB weaken against the relevant foreign currencies. For a 5% strengthening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and other comprehensive income, and the balance below would be negative.

	Effect on profit after tax and retained profits	
	2025 RMB'000	2024 RMB'000
US\$	17	13
Euro	5	4
SGD	21	–
	<u>43</u>	<u>17</u>

The above sensitivity analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

II) INTEREST RATE RISK

Pledged and non-pledged bank deposits and lease liabilities are carried at fixed interest rates and are not subject to interest rate risk. The Group is exposed to interest rate risk mainly from bank deposits (note 23) of the Group. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposures should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates of bank deposits of the Group. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of reasonably possible changes in interest rates.

If interest rates had been 100 basis point higher and all other variables were held constant, the Group's profit for the year ended 31 December 2025 and the retained earnings as at the reporting date would increase by approximately RMB797,000 (2024: RMB417,000). An equal and opposite impact on the Group's profit for the respective years would result if the interest rates had been 100 basis points lower.

III) 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 trade receivables, pledged and non-pledged bank deposits, bank balances, other receivables and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The estimated loss rates are determined based on historically observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to the general economic conditions, that is available without undue cost or effort. At 31 December 2025, the Group has certain concentration of credit risk for the bank balances and bank deposits as 34.8% (2024: 48.2%) and 77.6% (2024: 87.0%) of total cash and bank balances, pledged bank deposit and non-pledged fixed bank deposits are due from the largest banker and the three largest bankers of the Group, respectively. The Group assessed 12-month ECL for bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

For trade receivables at amortised cost, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables at amortised cost are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including the time value of money where appropriate.

The management considers the credit risk exposure of the Group's trade receivables is low as sales are generally settled before delivery of goods or within 30 days. The directors review the recoverable amount of each individual debt regularly to ensure that adequate allowances are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

III) CREDIT RISK *(Continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 1 year past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Group has no significant concentration of credit risk in respect of its trade and other receivables, with exposure spread over a large number of counterparties and customers.

The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

IV) LIQUIDITY RISK

The Group's liquidity position is monitored closely by the directors. In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate for the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group mainly relies on internally generated funds and banking facilities as the principal sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2025						
Trade payables	12,099	-	-	-	12,099	12,099
Other payables	50,921	-	-	-	50,921	50,921
Lease liabilities	3,513	1,968	12,626	7,409	25,516	20,774
	<u>6,653</u>	<u>1,968</u>	<u>12,626</u>	<u>7,409</u>	<u>88,536</u>	<u>83,794</u>
At 31 December 2024						
Trade payables	9,507	-	-	-	9,507	9,507
Other payables	41,128	-	-	-	41,128	41,128
Lease liabilities	2,721	2,475	2,547	8,335	16,078	12,114
	<u>53,356</u>	<u>2,475</u>	<u>2,547</u>	<u>8,335</u>	<u>66,713</u>	<u>62,749</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

C) FAIR VALUE

I) FAIR VALUE HIERARCHY

The directors of the Company consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The following table presents the fair value of the Group's financial instruments 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, that is, 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, that is, 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.

	Fair value at	Fair value measurements as at		
	31 December	31 December 2025 categorised into		
	2025	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	80,669	–	–	80,669
	Fair value at	Fair value measurements as at		
	31 December	31 December 2024 categorised into		
	2024	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	80,791	–	–	80,791

During the years ended 31 December 2025 and 2024, 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 the fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

C) FAIR VALUE *(Continued)*

II) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT

Financial assets	Fair value as at		Valuation technique	Significant unobservable inputs	Level 3 Range
	31 December 2025 RMB'000	31 December 2024 RMB'000			
Financial assets at fair value through profit or loss					
– Principal guaranteed wealth management products	80,669	80,791	Discounted cash flow	Expected returns	1.28% to 2.22% (2024: 1.50% to 2.37%)

The fair value of financial assets at fair value through profit or loss in Level 3 is determined by discounting the contractual price of financial assets. The discount rate used is derived from the expected returns ranging from 1.28% to 2.22% (2024: ranging from 1.50% to 2.37%). The fair value measurement is positively correlated to the expected returns.

The Group did not change any valuation technique in determining the Level 3 fair values.

With the short maturity of the wealth management products and the applicable rate of expected returns are not significant, the fair value of the wealth management products would not change significantly, and accordingly no sensitivity analysis is presented.

31. COMMITMENTS

A) CAPITAL COMMITMENTS

At 31 December 2025, capital commitments not provided for in the financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted but not provided for in respect of – property, plant and equipment	21,396	20,718

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. COMMITMENTS *(Continued)*

B) OPERATING LEASE ARRANGEMENTS

The Group leases out investment properties under operating lease. The leases were negotiated for terms ranging from 1 to 4 years. None of the lease include contingent rental. At 31 December 2025, the undiscounted lease payments receivable under non-cancellable operating leases in respect of premises are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	2,628	2,629
After one year but within two years	1,860	1,857
After two years but within three years	661	1,687
After three years but within four years	90	238
	<u>5,239</u>	<u>6,411</u>

32. RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT COMPENSATION

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

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	3,984	3,585
Post-employment benefits	185	181
	<u>4,169</u>	<u>3,766</u>

Note:

The remuneration were based on the terms mutually agreed between the Group and the related parties. In the opinion of the directors, these related party transactions were conducted in the ordinary course of business of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		–	–
Investment in a subsidiary		47	47
		<u>47</u>	<u>47</u>
Current assets			
Amounts due from subsidiaries		147,999	154,414
Deposit and prepayments		133	23
Cash and bank balances		506	377
		<u>148,638</u>	<u>154,814</u>
Current liabilities			
Amounts due to subsidiaries		24,195	24,855
Other payables and accruals		3,103	3,143
		<u>27,298</u>	<u>(27,998)</u>
Net current assets		<u>121,340</u>	<u>126,816</u>
NET ASSETS		<u>121,387</u>	<u>126,863</u>
CAPITAL AND RESERVES			
Share capital	28	2,189	2,189
Reserves	29	119,198	124,674
TOTAL EQUITY		<u>121,387</u>	<u>126,863</u>

Approved and authorised for issue by the board of directors on 27 March 2026.

Tan Chuan Hua
Director

Tan Lizi
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. EMPLOYEE RETIREMENT BENEFITS

DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

There is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

35. ULTIMATE HOLDING COMPANY

At 31 December 2025, the directors consider the immediate parent and ultimate holding company of the Group to be Lead Charm Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Tan Chuan Hua. This entity does not produce financial statements available for public use.

36. POSSIBLE IMPACT OF NEW AND AMENDMENTS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of approval for issue of these consolidated financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements, as follows:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity ¹
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²
HKFRS 18 and consequential amendments to other HKFRS Accounting Standards	Presentation and Disclosure in Financial Statements ²
HKFRS 19 and subsequent amendments	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2027

³ Effective for annual periods beginning on or after a date to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

36. POSSIBLE IMPACT OF NEW AND AMENDMENTS ACCOUNTING STANDARDS 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.

PRINCIPAL PROPERTIES HELD FOR INVESTMENT PURPOSES

China

Location	Lot number	Type	Lease term
Nos. 701-703, 703A, 705-713, 713A, 715, 723 and 723A, 7th Floor, North Tower of Junefield Plaza, Nos. 6, 8, 10, 12, 16 and 18 Xuanwu Menwai Street, Xuanwu District, Beijing,	–	Commercial	2044
Levels 43 and 44, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing,	JB3-49-68	Commercial	2045
Portion of Level 42, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing,	JB3-49-68	Commercial	2045
Unit Nos. 2-5, 2-6, 2-7 and 2-8, Block A7, Jiazhou Garden, Longxi Road, Yubei District, Chongqing,	YB4-19-46	Residential	2062
A residential unit situated at No. 1-8-3, No. 8 Huangjiaoping Street, Jiulongpo District, Chongqing,	JL4-14-92	Residential	2051

FINANCIAL SUMMARY

The following table sets out the financial summary of the Group for the five years ended 31 December:

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Results					
Revenue	558,223	505,436	499,688	348,002	330,910
Profit before taxation	216,486	212,934	209,691	133,363	130,795
Income tax	(45,459)	(41,455)	(35,917)	(26,105)	(22,447)
Profit for the year	171,027	171,479	173,774	107,258	108,348
Attributable to					
Owners of the Company	171,027	171,366	173,734	107,250	107,663
	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Assets and liabilities					
Total assets	1,119,459	1,009,124	930,777	805,557	784,306
Total liabilities	(149,255)	(125,165)	(122,293)	(113,678)	(111,859)
Total equity	970,204	883,959	808,484	691,879	672,447
	As at 31 December				
	2025	2024	2023	2022	2021
Liquidity and Gearing					
Current ratio ⁽¹⁾	4.55	5.48	6.88	6.57	7.42
Quick ratio ⁽²⁾	1.87	2.50	4.22	3.51	4.82
Gearing ratio ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾

Notes:

- (1) Current ratio is calculated as total current assets divided by total current liabilities as at the relevant year end.
- (2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities as at the relevant year end.
- (3) Gearing ratio is calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.
- (4) As at 31 December 2025, 2024, 2023, 2022 and 2021, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.