



# 2025

ANNUAL REPORT

舒寶國際集團有限公司

Soft International Group Ltd

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2569



MiSECR 五月私语

# 液体早安裤

白天夜晚 好穿无感

五月私语品牌代言人  
关晓彤



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ngan Pui Kuan (*Chair*)  
Mr. Zeng Guodong (*Chief Executive Officer*)  
Mr. Zhou Jiahao  
Mr. Gao Yue

### Non-Executive Director

Mr. Cai Hao

### Independent Non-Executive Directors

Ms. Leong Kai Weng Subrina  
Mr. Wong Tai Wai David  
Mr. Ng Brian Hong Jing

## AUDIT COMMITTEE

Ms. Leong Kai Weng Subrina (*Chair*)  
Mr. Ng Brian Hong Jing  
Mr. Wong Tai Wai David

## REMUNERATION COMMITTEE

Mr. Wong Tai Wai David (*Chair*)  
Mr. Ng Brian Hong Jing  
Mr. Ngan Pui Kuan

## NOMINATION COMMITTEE

Mr. Ng Brian Hong Jing (*Chair*)  
Mr. Gao Yue  
Ms. Leong Kai Weng Subrina (Appointed on 23 June 2025)  
Mr. Wong Tai Wai David (Ceased on 23 June 2025)

## SANCTIONS OVERSIGHT COMMITTEE

Mr. Zeng Guodong (*Chair*)  
Mr. Zhou Jiahao  
Mr. Cai Hao

## AUTHORISED REPRESENTATIVES

Mr. Gao Yue  
Ms. Wong Po Lam, HKICPA  
(Appointed on 17 November 2025)  
Mr. Yeung Kwong Wai, HKICPA, AICPA, CFA  
(Resigned on 17 November 2025)

## JOINT COMPANY SECRETARIES

Ms. Ngan Ka Wai  
Ms. Wong Po Lam, HKICPA  
(Appointed on 17 November 2025)  
Mr. Yeung Kwong Wai, HKICPA, AICPA, CFA  
(Resigned on 17 November 2025)

## AUDITOR

Forvis Mazars CPA Limited  
*Certified Public Accountants and Registered Public  
Interest Entity Auditor*  
42nd Floor, Central Plaza  
18 Harbour Road  
Wan Chai  
Hong Kong

## REGISTERED OFFICE

89 Nexus Way, Camana Bay  
Grand Cayman KY1-9009  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Zhizao Avenue  
Economic Development Zone (Food Park)  
Quanzhou Jinjiang  
Fujian Province  
China

## CORPORATE INFORMATION

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F., C C Wu Building  
302 – 308 Hennessy Road  
Wan Chai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### LEGAL ADVISER

*As to International Sanctions laws:*  
Hogan Lovells  
11th Floor  
One Pacific Place  
88 Queensway  
Hong Kong

### COMPLIANCE ADVISER

Sunny Fortune Capital Limited  
Suite 2101, Chinachem Century Tower  
178 Gloucester Road  
Wanchai  
Hong Kong

### PRINCIPAL BANK

Bank of China Limited Jinjiang Branch

### STOCK CODE

2569

### WEBSITE

[www.lnsoftb.com](http://www.lnsoftb.com)

## CHAIR'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Soft International Group Ltd. (the "**Company**"), I am honored to present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2025 ("**FY2025**").

Following our successful listing (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 March 2025 (the "**Listing Date**"), FY2025 has been a fruitful and transformative year for our Group. We are pleased to report that the Group achieved robust growth, with revenue increasing by approximately RMB152.7 million or 20.3% from approximately RMB752.8 million for the year ended 31 December 2024 ("**FY2024**") to approximately RMB905.5 million for FY2025. These encouraging results reflect the resilience of our integrated business models and the effectiveness of our strategic initiatives.

Our Group remains principally engaged in the manufacturing and sales of hygienic disposables and nonwoven fabrics in the People's Republic of China (the "**PRC**", for the purpose of this annual report only, excluding Hong Kong, Macao and Taiwan). Over the past 15 years, we have established ourselves as a leading in the contract manufacturing (the "**Contract Manufacturing Business**") of baby care products as an Original Design Manufacturer (ODM) to business customers. Additionally, we have expanded our footprint in the branded product business (the "**Brand Product Business**") to manufacture, market, and sell products under our own brands in the PRC. Our vertically integrated operations, which encompass everything from product development, nonwoven fabric manufacturing, raw material sourcing, manufacturing, quality control, warehousing to logistics management. This comprehensive approach enables us to respond swiftly to the evolving needs of our customers, providing higher output and uniform quality and continuously optimising operational efficiency.

We have intensified our efforts to promote our products across multiple online platforms, which has been instrumental in increasing our market exposure, market share and successfully launching new products. This strategic focus resulted in an increase in online sales and promotion expenses by approximately RMB64.6 million or 101.3% to approximately RMB128.4 million for FY2025 (FY2024: approximately RMB63.8 million). Our Direct-to-Consumer (D2C) model continues to gain momentum, enabling us to engage directly with consumers, enhance brand loyalty, and respond swiftly to evolving consumer preferences in a rapidly changing digital landscape.

In addition to these efforts, we are proud to announce that renowned actress Ms. Guan Xiaotong has become the brand ambassador for our "Misecr". Her endorsement has significantly enhanced our brand image and recognition, attracting a broader consumer base and strengthening our market position. This collaboration not only elevates our brand prestige but also aligns with our commitment to quality and innovation, further supporting our long-term growth strategy.

During the Year, we applied the net proceeds raised from the Listing (the "**Net Proceeds**") in accordance with our stated plans. Investments have been made to acquire machineries for establishing additional baby care and feminine care product production lines, as well as additional nonwoven fabric production lines. We also enhanced our branding, marketing, and promotional activities, and upgraded our warehouse facilities and information technology systems to support scalable growth and operational efficiency.

In addition to existing production facilities located at Jinjiang City, Quanzhou, Fujian Province (the "**Jinjiang Production**

## CHAIR'S STATEMENT

**Facilities**") and nonwoven fabric facilities located at Shishi City, Quanzhou, Fujian Province (the "**Nonwoven Fabric Facilities**"), our Group has commenced construction of a new production facility on our self-owned property in Shishi City, Quanzhou, Fujian Province. This new facility, complementing our existing nonwoven fabric production capabilities in Shishi, will significantly enhance our ability to produce high-quality nonwoven fabrics that are critical to our hygienic disposables product lines. The expanded production capacity will improve supply chain stability, reduce reliance on external suppliers, and provide greater flexibility for product innovation and customisation, thereby strengthening our competitive advantage.

Further details regarding our Group's performance and achievements, financial analysis and use of the Net Proceeds for FY2025 are set out in the section headed "Chief Executive Officer's Review" on pages 6 to 7 and "Management Discussion and Analysis" on pages 9 to 15 in this annual report.

The global market for hygienic disposables continues to show robust growth, driven by rising consumer awareness of hygiene and eco-sustainability. Our diverse product offerings, including baby care, feminine care, and adult incontinence products, cater to a wide range of consumer needs. We are committed to reinforcing our strengths in the baby care category while expanding our presence in feminine care and adult incontinence, ensuring we remain at the forefront of this essential market. Looking ahead, we acknowledge the challenges posed by (i) new brands and product offerings emerging in the marketplace; (ii) significant competition from smaller players, especially emerging D2C brands which have benefited from the substantial growth in e-commerce and D2C or other non-traditional, digital business models; and (iii) intensify in the overseas markets. Nevertheless, we are confident in our strategies to drive brand awareness, accelerate our D2C presence, and innovate our product offerings will enable us to differentiate ourselves from these challenges and seize growth opportunities within the industry.

Looking ahead, we remain optimistic about the long-term prospects of the hygienic disposables industry, driven by rising consumer awareness of hygiene, health, and eco-sustainability. Our vertically integrated operations, combined with our strong brand portfolio, expanding D2C channels, and commitment to sustainable innovation, positions us well to capture growth opportunities and create sustainable value for shareholders of our Company (the "**Shareholders**").

We are committed to maintaining operational excellence, fostering innovation, and enhancing customer experience as we navigate the evolving market landscape. With the continued support of our shareholders, customers, business partners, and dedicated employees, we are confident that our Group will continue to thrive and achieve new milestones in the years to come.

In closing, I would like to extend my sincere gratitude to our Shareholders and stakeholders for their continuous support, as well as to our employees for their dedication and contributions. Together, we will continue to build on our successes and navigate the opportunities that lie ahead.

**NGAN Pui Kuan**

*Chair of the Board*

Quanzhou Jinjiang, Fujian, the PRC, 27 March 2026

## CHIEF EXECUTIVE OFFICER'S REVIEW

I am thrilled to present our annual review for FY2025, a year in which the Group achieved remarkable operational results and set new benchmarks for growth and excellence. Building on the strong foundation established in past years, we have not only expanded our production capabilities and market presence, but also delivered outstanding performance across all business segments. Our commitment to innovation, efficiency, and sustainability has propelled us forward, positioning the Group as a leader in the personal hygienic disposables industry.

Established in 2010, our Group has primarily engaged in the development, manufacture and sale of personal hygienic disposables (such as baby care, feminine care and adult incontinence products) based in the PRC, specialising in baby care category for emerging markets in Eurasia. In response to the growing awareness of hygiene and eco-sustainability worldwide, we also manufacture nonwoven fabrics, a raw material critical to the manufacture of most hygienic disposables, at our own nonwoven fabric facilities, supplying both our production needs and, to a lesser extent, to independent raw material suppliers and manufacturers of hygiene and personal care products in the PRC.

During FY2025, our Group reached a significant milestone by successfully listing the Company's shares (the "**Shares**") on the Stock Exchange. This Listing has enhanced the Group's corporate image and brand strength, expanded its market share in the hygienic disposables industry both domestically and internationally and supported the execution of its business strategies and principal objectives. It has positioned the Group for sustainable growth, further solidifying its leadership in the hygienic disposables sector in China and abroad, ultimately aiming to create long-term value for our Shareholders.

Throughout FY2025, our Group experienced remarkable growth in production and operations. Revenue increased by approximately RMB152.7 million or 20.3% from approximately RMB752.8 million for FY2024 to approximately RMB905.5 million for FY2025. Majority of our revenue is generated through two main business segments: (i) contract manufacturing of baby care products as an Original Design Manufacturer (ODM) to business customers (the "**Contract Manufacturing Business**"); and (ii) branded product business to manufacture, market, and sell products under our own brands in the PRC (the "**Brand Product Business**"), which contributed approximately 56.2% (FY2024: approximately 60.1%) and approximately 32.4% (FY2024: approximately 29.6%) of total revenue for FY2025, respectively.

In our Contract Manufacturing Business, we primarily manufacture and sell baby care products as Original Design Manufacturer (ODM) to business customers, including independent retailers and baby care brand owners. Our products are branded for export from the PRC to various countries in Eurasia. We serve major business customers, including top-tier Russian children's goods retailers and international brands, customising products to their specifications. During FY2025, our revenue from this segment increased by approximately RMB56.5 million or 12.5% to approximately RMB509.3 million, compared to approximately RMB452.8 million for FY2024. This growth was primarily driven by the introduction of new business customers.

In our Branded Product Business, we have embraced the rapid growth of e-commerce, particularly in China. Our Direct-to-Customer (D2C) strategy has enabled us to connect directly with consumers, enhancing their shopping experience and fostering brand loyalty. The introduction of our brands: "Insoftb" for baby care, "Misecr" for feminine care and "Cosoftb" for adult incontinence, has been met with positive consumer reception, reflecting the growing demand for affordable premium products among younger generations. During FY2025, this segment achieved a revenue increment of approximately RMB71.0 million or 31.9%, reaching approximately RMB293.8 million (FY2024: approximately RMB222.8 million).

Detailed analysis is set out in the section headed "Management Discussion and Analysis" on pages 9 to 15 in this annual report.

## CHIEF EXECUTIVE OFFICER'S REVIEW

A key component of our ongoing success is our two highly automated production facilities in Quanzhou, Fujian Province, where we conduct the majority of our production and warehousing. Our Jinjiang Production Facilities are dedicated to manufacturing and storage of our finished products, while our Nonwoven Fabric Facilities allow us to produce nonwoven fabrics critical to our hygiene product lines. This strategic proximity enables us to continuously optimise production costs and maintain uniform product quality.

During FY2025, we made investments to expand our manufacturing footprint. The Group established six new production lines: one baby care and three feminine care production lines at the Jinjiang Production Facilities, all of which are now operational, and two nonwoven fabric lines at the Nonwoven Fabric Facilities, currently in the trial production phase. Additionally, we have commenced construction of a new production base on our owned properties in Shishi City, which is at an early stage with specific production lines and intended uses still under planning. We believe that these developments have further strengthened our manufacturing scale, enabling ongoing cost optimisation and allowing for rapid and effective responses to evolving customer requirements.

In response to growing consumer demand for environmentally responsible products, our Group has also intensified our investment in research and development, focusing on biodegradable materials and eco-friendly production processes. By integrating sustainable materials and adopting greener manufacturing practices, we aim to reduce our environmental impact and align our product offerings with global trends toward sustainability. This strategic focus not only meets consumer expectations but also positions the Group as a responsible industry leader, enhancing our brand reputation and opening new market opportunities in eco-conscious segments.

As we look to the future, we are energised by the opportunities that lie ahead in the hygienic disposables market. The ongoing rise in disposable incomes and evolving consumer preferences for quality and branded experiences continue to create a favorable environment for our growth. Our unwavering focus on product innovation and operational excellence will remain at the heart of our strategy as we navigate an increasingly dynamic and competitive landscape.

We recognise that challenges such as fluctuations in international demand may arise, but our robust supply chain and vertically integrated operations equip us with the flexibility and resilience to adapt swiftly to changing market conditions. By staying agile and responsive, we are confident in our ability to sustain our momentum and capture new growth opportunities.

In conclusion, the expansion of our production facilities, our dedication to sustainability and our relentless pursuit of innovation have positioned our Group for continued success. We are excited to embark on the next phase of our journey, delivering essential hygiene solutions, broadening our market reach and enhancing our product portfolio.

Taking this opportunity, I would like to express my appreciation to our employees for their diligence and contributions. My gratitude also goes to my fellow Directors for their guidance, and our Shareholders and stakeholders for their continued support.

**ZENG Guodong**  
*Chief Executive Officer*

Quanzhou Jinjiang, Fujian, the PRC, 27 March 2026

## FINANCIAL HIGHLIGHTS

The table below sets forth the selected key financial ratios of the Group for the years ended 31 December 2025 and 2024 and as at the dates indicated:

	31 December 2025	31 December 2024
<b>Profitability</b>		
Gross profit margin <sup>(1)</sup>	34.8%	30.9%
Net profit margin <sup>(2)</sup>	6.2%	7.3%
Return on equity <sup>(3)</sup>	11.1%	15.8%
Return on total assets <sup>(4)</sup>	7.1%	9.3%
<b>Liquidity</b>		
Current ratio <sup>(5)</sup>	1.5 times	1.3 times
Quick ratio <sup>(6)</sup>	1.3 times	1.1 times
<b>Capital sufficiency</b>		
Gearing ratio <sup>(7)</sup>	8.0%	9.6%
Net debt to equity ratio <sup>(8)</sup>	N/A	1.8%
Interest coverage ratio <sup>(9)</sup>	49.9 times	501.6 times

*Notes:*

- (1) Gross profit margin is calculated based on the gross profit for the year divided by total revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on the profit for the year divided by total revenue and multiplied by 100%.
- (3) Return on equity is calculated based on the profit for the year divided by the shareholders' equity as at the end of the year.
- (4) Return on total assets is calculated based on the profit for the year divided by total assets at the end of the year and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.
- (6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year.
- (7) Gearing ratio is calculated based on the sum of interest-bearing borrowings divided by total equity at the end of the year.
- (8) Net debt to equity ratio is calculated based on the sum of interest-bearing borrowings, minus cash and bank balances divided by total equity at the end of the year.
- (9) Interest coverage ratio is calculated by profit before interest and tax divided by net interest expense for the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased by approximately RMB152.7 million or 20.3% from approximately RMB752.8 million for FY2024 to approximately RMB905.5 million for FY2025. This increase was primarily due to the following factors:

- *Contract Manufacturing Business:* Revenue increased from approximately RMB452.8 million for FY2024 to approximately RMB509.3 million for FY2025. This growth was primarily driven by the introduction of new business customers. Sales revenue to the Group's largest Russian top-tier customer remained stable for FY2025, with a slight increase by approximately RMB1.5 million or 0.5% to approximately RMB311.1 million for FY2025 (FY2024: approximately RMB309.6 million).
- *Branded Product Business:* Revenue increased from approximately RMB222.8 million for FY2024 to approximately RMB293.8 million for FY2025, representing an increase of approximately RMB71.0 million or 31.9%, mainly as a result of continuous increase in the sales volume of sanitary pants due to the Group's efforts put on expanding online sales channels, as well as the successful launch of a new feminine care branded product during FY2025.
- *Nonwoven fabric and others:* Revenue grew from approximately RMB77.2 million for FY2024 to approximately RMB102.4 million for FY2025, representing an increase of approximately RMB25.2 million or 32.6%. The increase was primarily attributed to the rising market demand on nonwoven fabric.

### Cost of Sales

Cost of sales of the Group increased by approximately RMB70.8 million or 13.6% from approximately RMB519.9 million for FY2024 to approximately RMB590.7 million for FY2025 due to (i) increase in direct materials costs from approximately RMB453.1 million for FY2024 to approximately RMB515.0 million for FY2025, an increase of approximately RMB61.9 million or 13.7%; and (ii) increase in consumables from approximately RMB6.9 million for FY2024 to approximately RMB12.1 million for FY2025, an increase of approximately RMB5.2 million or 75.4%. Both increase in direct materials costs and consumables was generally in line with the increase in overall sales volume.

### Gross profit and gross profit margin

Total gross profit increased by approximately RMB81.9 million or 35.2% from approximately RMB232.9 million for FY2024 to approximately RMB314.8 million in FY2025, with gross profit margin improving from approximately 30.9% to approximately 34.8%. This increase was primarily due to the following factors:

- *Contract Manufacturing Business:* Gross profit increased from approximately RMB131.5 million in FY2024 to approximately RMB168.2 million in FY2025, with gross profit margin increasing from approximately 29.0% to approximately 33.0%. The slight improvement in gross profit margin was primarily attributable to reduced purchase costs of major raw materials.
- *Branded Product Business:* Gross profit increased from approximately RMB98.3 million in FY2024 to approximately RMB141.9 million in FY2025, with gross profit margin improving from approximately 44.1% to approximately 48.3%, mainly driven by an increase in the average selling price of feminine care products through the Group's D2C sales, as well as the introduction of new feminine care products with relatively higher gross margins.
- *Nonwoven fabric and others:* Gross profit grew from approximately RMB3.2 million in FY2024 to approximately RMB4.7 million in FY2025, with gross profit margin increasing from approximately 4.1% to approximately 4.6%. The increase in gross profit margin was mainly due to lower purchase costs of major raw materials.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other income

Other income decreased from approximately RMB5.1 million for FY2024 to approximately RMB4.8 million for FY2025. The decrease was mainly due to decrease in sales of scrap materials by approximately RMB1.6 million or 57.1% to approximately RMB1.2 million for FY2025 (FY2024: approximately RMB2.8 million); and which was partially offset by the increase in interest income by approximately RMB1.4 million or 280.0% to approximately RMB1.9 million for FY2025 (FY2024: approximately RMB0.5 million).

### Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB81.3 million or approximately 74.3% from approximately RMB109.4 million for FY2024 to approximately RMB190.7 million for FY2025, mainly due to (i) the increase in online sales and promotion expenses by approximately RMB64.6 million or 101.3% to approximately RMB128.4 million for FY2025 (FY2024: approximately RMB63.8 million). During FY2025, the Group put significant effort on promoting its product throughout different online platforms to increase its market shares and promote new products, in particular, in the 2nd half of 2025, the increase in online promotion activities led to the proportion of selling and distribution expense to revenue increased to approximately 21.1% for FY2025 (FY2024: approximately 14.5%). Additionally, higher services charge and commission were incurred during the Group's promotion placed during public holidays in the PRC; and (ii) the increase in distribution and declaration fee by approximately RMB12.0 million or 47.2% to approximately RMB37.4 million for FY2025 (FY2024: approximately RMB25.4 million), which was mainly due to growth in D2C sales and oversea sales of the Group, and higher average charge per kilogram for distribution costs.

### Administrative and other operating expenses

Administrative and other operating expenses increased by approximately RMB6.4 million or approximately 15.3%, from approximately RMB41.7 million for FY2024 to approximately RMB48.1 million for FY2025. This increase was primarily driven by the increase in professional fee by approximately RMB6.3 million or 700.0% to RMB7.2 million for FY2025 (FY2024: approximately RMB0.9 million), which mainly attributable to increased consultancy fee for financial analysis, brand management and enterprise management consultancy services provided to the Group.

### Listing expenses

Listing expenses decreased by approximately RMB8.8 million or 64.2% from approximately RMB13.7 million for FY2024 to approximately RMB4.9 million for FY2025, which was due to the completion of the Listing on 27 March 2025.

### Finance costs

Finance costs increased by approximately RMB0.8 million or 133.3%, from approximately RMB0.6 million for FY2024 to approximately RMB1.4 million for FY2025, which was mainly due to the increase in average balance of interest-bearing borrowings as at 31 December 2025.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Income tax expenses

Income tax expenses decreased by approximately RMB2.7 million or 18.9% from approximately RMB14.3 million for FY2024 to approximately RMB11.6 million for FY2025; whereby the effective tax rate decreased from approximately 20.7% for FY2024 to approximately 17.2% for FY2025, which were primarily due to (i) the non-recurring Listing expenses of approximately RMB13.7 million and approximately RMB4.9 million incurred for FY2024 and FY2025, respectively, which was not tax deductible; and (ii) the increase in proportion of taxable profits from subsidiaries with a tax rate of 15%.

## Profit attributable to the owners of the Company

As a result of the foregoing, profit attributable to owners of the Company remained stable at approximately RMB54.8 million for FY2024 and approximately RMB55.9 million for FY2025.

## Inventories

The inventory balance increased by approximately RMB6.9 million or 14.8% from approximately RMB46.7 million as at 31 December 2024 to approximately RMB53.6 million as at 31 December 2025. The increase in balance was primarily attributable to the increase in balance of finished goods by approximately RMB9.0 million, attributable to the expansion of production capacity following the procurement of new machineries and the addition of production lines during FY2025. The higher inventory level enables the Group to maintain sufficient inventory to meet future demand, particularly for online sales, thereby significantly reducing delivery lead times.

## Trade and other receivables

Trade and other receivables increased by approximately RMB51.8 million or 26.1% from approximately RMB198.3 million as at 31 December 2024 to approximately RMB250.1 million as at 31 December 2025, in which balance of trade and bills receivables (net off loss allowances) increased by approximately RMB9.8 million or 6.7% to approximately RMB155.9 million as at 31 December 2025 (2024: approximately RMB146.1 million). Increase in balance of trade and bills receivables was primarily attributable to the increase in revenue for FY2025.

In addition, balance of other receivables increased by approximately RMB48.2 million or 82.0% from approximately RMB52.2 million as at 31 December 2024 to approximately RMB95.0 million as at 31 December 2025, primarily attributable to the (i) the increase in prepayment to suppliers of approximately RMB14.4 million, primarily related to purchase orders for raw materials to support higher production demands in response to increased sales volume; (ii) the increase in value-added tax and other tax recoverables of approximately RMB11.1 million; (iii) the increase in prepaid promotion expenses of approximately RMB8.6 million, mainly due to an increase in prepaid promotion fee on digital platforms and endorsement services expenses; and (iv) the increase in receivables from digital platforms of approximately RMB4.5 million.

## Financial assets at fair value through profit or loss ("FVPL")

In order to hedge against the risk of price fluctuations of core raw materials of the Group, namely polypropylene (PP) and high-density polyethylene (HDPE), the Group has entered into commodities future contracts which was recognised as financial assets at FVPL of approximately RMB2.2 million as at 31 December 2025 (2024: approximately RMB1.3 million).

As at 31 December 2025, amount due from brokers for commodity future contracts was approximately RMB1.8 million (2024: approximately HK\$3.2 million), which were repayable on demand upon request from the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Trade and other payables

Trade and other payables increased by approximately RMB44.7 million or 23.4% from approximately RMB191.1 million as at 31 December 2024 to approximately RMB235.8 million as at 31 December 2025, in which balance of trade and bills payables increased by approximately RMB41.1 million or 35.8% to approximately RMB155.8 million as at 31 December 2025 (2024: approximately RMB114.7 million). Increase in balance of trade and bills payables was primarily attributable to higher procurement recorded towards the end of FY2025.

In addition, balance of other payables increased by approximately RMB3.6 million or 4.7% from approximately RMB76.4 million as at 31 December 2024 to approximately RMB80.0 million as at 31 December 2025. The increase was primarily attributable to (i) the increase in contract liabilities of approximately RMB19.2 million, reflecting higher advance payments received from customers for sales orders secured during FY2025. The increase was partially offset by (ii) the decrease in payables for distribution service fees of approximately RMB10.0 million; and (iii) the decrease in accrued listing expenses of approximately RMB5.1 million.

## Liquidity and financial resources and Capital Structure

As at 31 December 2025, the Group had bank balances and cash (including non-pledged bank deposits) of approximately RMB73.8 million as compared to approximately RMB26.7 million as at 31 December 2024.

As at 31 December 2025, the Group had total interest-bearing borrowings of approximately RMB40.0 million (2024: approximately RMB33.0 million), and all interest-bearing borrowings are either due within one year or with a clause in the loan agreements that gave the lenders an overriding right to demand repayment without notice or with notice period of less than 12 months at their sole discretion. Details of the interest-bearing borrowings are set out in Note 23 to the consolidated financial statements in this annual report.

The gearing ratio of the Group as at 31 December 2025 was approximately 8.0% compared to approximately 9.6% as at 31 December 2024. Gearing ratio is calculated based on the sum of interest-bearing borrowings divided by total equity at the end of the respective year. Decrease in gearing ratio as at 31 December 2025 was primarily attributable to increase in total equity as at 31 December 2025 which was mainly driven by increase in share premium following the issuance of Shares by way of share offer and increased higher retained earnings resulting from positive operating performance during FY2025.

For FY2025, the Group financed its operations with loan facilities provided by financial institutions and internally generated cash flows. The Group believes that the cash position, liquid asset value, future revenue and available facilities from financial institutions of the Group will be sufficient to fulfill the working capital requirements of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Employee and remuneration policy

As at 31 December 2025, the Group had a total of 385 employees (2024: 287 employees). During FY2025, the total staff costs amount to approximately RMB28.2 million (FY2024: approximately RMB22.6 million), representing an increase of approximately RMB5.6 million or 24.8%. Increase in amount was primarily attributable to the increase in average headcount. Salaries and benefits of the Group's employees were kept a market level and employees were rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Group contributed defined contribution scheme to employees. All of the Group's employees have participated in defined contribution retirement plans and other employee social security plans including pension, medical, other welfare benefits in the PRC (the "**Defined Contribution Plans in the PRC**"), which are organised and administered by the relevant governmental authorities for all qualifying employees in the PRC. The Group contributes to these plans based on certain percentages of relevant monthly salaries of its employees, subject to ceiling, as stipulated by the relevant regulations. The Group has no further payment obligation once the contributions have been paid. The Group's contributions to the Defined Contribution Plans in the PRC vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Plans in the PRC as at 31 December 2025 and 2024. For FY2025, the total amount contributed by the Group to the Defined Contribution Plans in the PRC was approximately RMB4.7 million (FY2024: approximately RMB3.5 million).

## Treasury policies

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2025. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that sufficient financial resources are available to meet its funding requirements and commitment timely.

## Exchange rate exposure

The majority of the transactions, assets and liabilities of the Group was denominated in Renminbi, United States Dollars and Hong Kong Dollars. During FY2025, no financial instruments were used for hedging purposes, and the Group did not commit to any financial instruments to hedge its exposure to exchange rate risk, as the expected exchange rate risk is not significant. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider applicable derivatives when necessary. The Group did not have any derivatives for hedging against the foreign exchange rate risk at 31 December 2025.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Charge on group assets

As at 31 December 2025, the Group's interest-bearing borrowings and bills payables are collectively secured by charges over the following assets of the Group:

	2025 RMB'000	2024 RMB'000
Leasehold land	20,022	20,467
Investment properties	44,199	44,210
Pledged bank deposits	50,687	29,421
	<b>114,908</b>	94,098

### Contingent liabilities

At 31 December 2025 and 2024, the Group had no contingent liabilities.

### Commitments

As at 31 December 2025, the Group had capital expenditure commitments and commitments under leases of approximately RMB18.2 million (2024: approximately RMB21.0 million) and approximately RMB0.6 million (2024: approximately RMB0.3 million), respectively. Details are set out in Note 32 to the consolidated financial statements in this annual report.

### Significant investment, material acquisitions and disposals

During FY2025, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of the Listing as set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus dated 19 March 2025 (the "Prospectus").

### Future plans for material investments and capital assets

Save as disclosed in this annual report, the Group had no specific plan for material commitments or capital assets as at 31 December 2025.

### Final dividends

The Directors do not recommend the payment of final dividend for FY2025 and FY2024.

### Significant events after the reporting period

The Group did not have any significant events after the reporting period and up to the date of this annual report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Future plans and use of proceeds

The Shares were listed on the Stock Exchange on the Listing Date, a total of 250,000,000 offer Shares issued and based on the final offer price of HK\$0.51 per offer Share, the net proceeds raised from the global offering of the Shares (the “**Global Offering**”) were approximately HK\$85.1 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. Up to 28 April 2025, the net proceeds from the Listing Date had been applied as follows:

	Adjusted net proceeds HK\$'000	Amount utilised up to 31 December 2025 HK\$'000	Amount unutilised up to 31 December 2025 HK\$'000	Expected timeline for utilising the unutilised net proceeds amount
Acquire machineries for establishing additional baby care and feminine care product production lines	24,860	17,069	7,791	By 31 December 2026
Acquire machineries for establishing additional nonwoven fabric production lines	22,136	22,136	–	Not applicable
Enhance branding, marketing and promotion activities of the Group	14,558	8,962	5,596	By 31 December 2026
Upgrade warehouse and investment in IT infrastructure of the Group	15,069	3,247	11,822	By 31 December 2026
General working capital	8,514	8,514	–	Not applicable
	85,137	59,928	25,209	

At 31 December 2025, unutilised net proceeds of approximately HK\$25.2 million were deposited into licensed banks in the PRC.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. NGAN PUI KUAN (顏培坤) (“Mr. Ngan”)**, aged 62, is the founder of our Group. He is the chairman of our Board (the “Chair”), our executive Director, and controlling shareholders of our Company (the “Controlling Shareholder”). He was appointed as a director on 4 December 2023 and designated as an executive Director and the chair of our Board on 8 May 2024. He currently holds directorship in Insoftb China, Insoftb New Material, Chuzhou Insoftb, and Jinjiang Libaida, the subsidiaries of our Company. Mr. Ngan is in charge of overall management and strategic development of our Group. Mr. Ngan is also father of Ms. Ngan, one of our senior management members, father-in-law of Mr. Zhou, one of our executive Directors and uncle of Mr. Gao, one of our executive Directors. Mr. Ngan is also a member of the Remuneration Committee.

Mr. Ngan has over 30 years of experience in the manufacturing and trading industries. Prior to founding our Group in November 2010, Mr. Ngan served as executive director and manager at Jinjiang Foreign Trade which was primarily engaged in import and export trading of children’s products from September 2002 to April 2024.

Mr. Ngan graduated from Fujian Jinjiang Yangzheng Middle School (福建省晉江市養正中學), the PRC in July 1981, and he was appointed as an executive supervisor of the school board of Yangzheng High School in March 2024. Mr. Ngan was appointed as a member of the Quanzhou City High-level Talents Level 3\* (泉州市高層次人才第3層次) in August 2021. He was awarded the title of “The 17th Outstanding Entrepreneur in Fujian Province” (第十七屆福建省優秀企業家) by Fujian Federation of Enterprises and Entrepreneurs (福建省企業及企業家聯合會) in March 2018.

Mr. Ngan was previously a director and/or supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Jinjiang Jinshan Needle Textile Co., Ltd.* (晉江金山針紡有限公司)	Production of various chemical fibre plush and knitted products	7 March 2007	Revocation	Cessation of business
Liangshan Maofeng Clothing Co., Ltd.* (梁山茂豐服裝有限公司)	Manufacture and sale of all kinds of fashion underwear	8 January 2002	Revocation	Cessation of business

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZENG GUODONG (曾國棟) (“Mr. Zeng”)**, aged 50, was appointed as an executive Director on 8 May 2024. He currently holds directorship in Insoftb China, a subsidiary of our Company. Mr. Zeng is responsible for overall administration and human resources of our Group. He is also the chief executive officer of our Group (the “**Chief Executive Officer**”) and the chairman of the Sanctions Oversight Committee.

Mr. Zeng has over 28 years of experience in sales and management. Prior to joining our Group in October 2010, Mr. Zeng worked for Beijing Xinruique Trading Centre\* (北京鑫瑞鵲商貿中心), which was primarily engaged in sales of household goods, needlework and textiles, as a business manager from August 1996 to September 1998. He joined Shanghai Ruique Investment Co., Ltd.\* (上海瑞鵲投資有限公司), which was primarily engaged in enterprise investment management and business information consulting in Shanghai as the deputy general manager from October 1998 to July 2000. Mr. Zeng served as a general manager in the Beijing Xinchunlong Technology Co., Ltd.\* (北京鑫順隆科技有限公可) from August 2000 to November 2011.

Mr. Zeng graduated in foreign trade English from Beijing-U.S.A. College of English (北京美國英語語言學院) in Beijing, PRC in July 1996.

Mr. Zeng was previously a director and/or supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Fujian Jinjiang Dongshi Fudong Rock Products Factory* (福建省晉江東石福東岩石製品廠)	Processing of stone slabs	13 July 2015	Deregistration	Cessation of business
Chenghua District Zeng Guodong Trade Department* (成華區曾國棟商貿部)	Sale of cosmetics and clothing	11 June 2018	Deregistration	Never commenced business operation
Shenzhen Yaoxinsheng E-Commerce Co., Ltd.* (深圳市耀信盛電子商務有限公司)	Sale of electronic products and daily necessities	26 October 2023	Deregistration	Cessation of business
Beijing Yuzhongqing Outdoor Products Co., Ltd.* (北京雨中晴戶外用品有限公司)	Sale of umbrellas	14 January 2024	Deregistration	Cessation of business
Shanghai Zengjia Trading Co., Ltd.* (上海曾嘉貿易有限公司)	Sale of daily necessities	23 January 2024	Deregistration	Never commenced business operation

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZHOU JIAHAO (周家豪) (“Mr. Zhou”)**, aged 35, was appointed as our executive Director on 8 May 2024. He is in responsible overseeing of our Direct-to-Customer (D2C) Branded Product Business. Mr. Zhou is also son-in-law of Mr. Ngan, chair of our Board and one of our executive Directors, brother-in-law of Ms. Ngan, one of our senior management members and cousin of Mr. Gao, one of our executive Directors. He is also a member of the Sanctions Oversight Committee.

Mr. Zhou has over 11 years of experience in the manufacture and sale of disposable sanitary products. In March 2015, he joined Insoftb China as a sales manager. From March 2017, he was promoted to director of the marketing department. He has been acting as the director of the production department since December 2022.

Mr. Zhou obtained a bachelor’s degree in business administration in business economics with specialisation in service economics from University of Macau (澳門大學) in Macau in July 2014.

**Mr. GAO YUE (高躍) (“Mr. Gao”)**, aged 36, was appointed as our executive Director on 8 May 2024. He currently holds directorship in Blue Giant Hygiene Products, and Heynckes Trading, the subsidiaries of our Company. Mr. Gao is responsible for overseeing our production and procurement. Mr. Gao is also nephew of Mr. Ngan, chair of our Board and one of our executive Directors, cousin of Mr. Zhou, one of our executive Directors, and Ms. Ngan, one of our senior management members. He is also one of the authorised representatives of our Company (the “**Authorised Representatives**”) and a member of the Nomination Committee.

Mr. Gao has over 14 years of experience in production and procurement field. In October 2011, he joined Insoftb China as a procurement officer. From October 2012, he was promoted to procurement manager. He has held the position of assistant to the chair, Mr. Ngan since November 2020.

Mr. Gao graduated in accounting from Fujian Agricultural Vocational and Technical College\* (福建農業職業技術學院) in the Fujian Province, PRC in July 2012.

Mr. Gao was previously a supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Fujian Yiqi Technology Co., Ltd.* (福建奕奇科技有限公司)	Research and development of technologies for the production of sanitary products	27 October 2020	Deregistration	Cessation of business
Shenzhen Yaoxinsheng E-Commerce Co., Ltd.* (深圳市耀信盛電子商務有限公司)	Sale of electronic products and daily necessities	26 October 2023	Deregistration	Cessation of business

## DIRECTORS AND SENIOR MANAGEMENT

### Non-executive Director

**Mr. CAI HAO (蔡昊) (“Mr. Cai”)**, aged 31, was appointed as our non-executive Director on 8 May 2024. Mr. Cai has around four years of experience in the finance industry and is responsible for providing advice on our business strategy. He is also a member of the Sanctions Oversight Committee.

Mr. Cai served as a research assistant in the Sinolink Securities Co., Ltd. (國金證券股份有限公司), which was engaged in securities business, from July 2021 to November 2023. Since December 2023, Mr. Cai started to work as an executive vice president of the investment department in Fujian Panpan Food Co., Ltd.\* (福建盼盼食品集團有限公司), which was principally engaged in deep processing of agricultural products.

Mr. Cai obtained a bachelor’s degree in business administration from Kansas State University in the U.S. in December 2017. In December 2019, he obtained a master’s degree in financial risk management from University of Connecticut in the U.S.

### Independent Non-executive Directors

**Ms. LEONG KAI WENG SUBRINA (梁佳穎) (“Ms. Leong”)**, aged 39, was appointed as our independent non-executive Director on 10 March 2025. Ms. Leong has over 12 years of experience in the fields of financial reporting, corporate finance, company secretarial and auditing. She is responsible for providing independent advice on the business strategies, operations and management of our Board. Ms. Leong is also the chair of the Audit Committee and a member of the Nomination Committee.

Ms. Leong served as a senior associate in assurance department in PricewaterhouseCoopers, a firm providing multinational professional services, from October 2009 to October 2013. From October 2013 to May 2016, she was a finance manager attached to Ares Asia Limited, a company listed on the Stock Exchange (stock code: 0645). Ms. Leong served as a financial consultant in China International Development Corporation Limited, a company listed on the Stock Exchange (stock code: 0264), from May 2016 to November 2020. From May 2016 to June 2020, she worked as the financial controller in China Apex Group Limited, a company listed on the Stock Exchange (stock code: 2011). From July 2020 to December 2021, Ms. Leong was attached to Hon & Co Group, a corporate finance firm, as the financial controller. From September 2021 to December 2023, she served as the company secretary of Target Insurance Holdings Limited, a company previously listed on the Stock Exchange (stock code: 6161). She was the chief financial officer and company secretary of Kelfred Holdings Limited, a company listed on the Stock Exchange (stock code: 1134) from September 2021 to December 2024. She also provided financial consultant services to Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444) from January 2024 to March 2025.

Ms. Leong has served as the company secretary of International Genius Company, a company listed on the Stock Exchange (stock code: 0033) (“**International Genius**”) since October 2021, Ta Yang Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1991) (“**Ta Yang**”) since May 2025 and China Next-Gen Commerce and Supply Chain Limited, a company listed on the Stock Exchange (stock code: 3928) (“**China Next-Gen**”) since September 2025, through a secretarial company which executed contracts with International Genius, Ta Yang and China Next-Gen, respectively.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Leong obtained her bachelor's degree in business administration in professional accountancy from The Chinese University of Hong Kong in December 2009 and a master's degree in corporate governance from The Hong Kong Polytechnic University in September 2017. Ms. Leong was admitted as a member of Hong Kong Institute of Certified Public Accountants in January 2013 and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in December 2017, respectively.

**Mr. NG BRIAN HONG JING (吳康政) ("Mr. Ng")**, aged 41, was appointed as our independent non-executive Director on 10 March 2025. Mr. Ng has over 10 years of legal experience in the legal industry and is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee.

Mr. Ng was previously an associate in several PRC law firms from January 2014 to July 2018. Subsequently from July 2018 to November 2019, he worked as an associate in Locke Lord LLP. From November 2019 to March 2023, Mr. Ng was attached to Holman Fenwick Willan and his last position was as a senior associate. As a solicitor, Mr. Ng has mainly employed in the field of corporate finance, including IPOs and secondary offerings, as well as mergers and acquisitions.

Mr. Ng obtained a bachelor's degree in double major in history and political science from University of Toronto in Canada in June 2006. In June 2009, he completed the juris doctor degree from City University of Hong Kong. Mr. Ng qualified as a solicitor in Hong Kong in February 2013, and a New York State attorney in June 2014.

**Mr. WONG TAI WAI DAVID (黃大維) ("Mr. Wong")**, aged 67, was appointed as our independent non-executive Director on 10 March 2025. Mr. Wong has over 21 years of experience in IT management and practice development and is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Wong previously served as a practice director at Timeless Software Limited, a company listed on GEM of the Stock Exchange (stock code: 8028), a company primarily engaged in the provision of software development cycle consultation. He has been serving as the chief operating officer of Four Directions Limited, a company specialising in digital marketing and communication solution, mobile and web based IT product and platform development since September 2018.

Mr. Wong obtained diploma in Business Data Processing from St. Clair College, Canada in August 1985.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Please refer to the section headed “Executive Directors” above for biographical details of Mr. Ngan, Mr. Zeng, Mr. Zhou, and Mr. Gao.

**Ms. NGAN KA WAI (顏嘉瑋) (“Ms. Ngan”)**, aged 27, is our vice president. Ms. Ngan joined our Group in March 2021. She is responsible for foreign trade and assisting the chair, Mr. Ngan, in the organisation and management of our Group. Ms. Ngan is also daughter of Mr. Ngan, sister-in-law of Mr. Zhou, one of our executive Directors and cousin of Mr. Gao, one of our executive Directors. Ms. Ngan is one of the joint company secretaries of our Company (the “**Joint Company Secretaries**”).

Ms. Ngan has over five years of experience in the manufacture and sale of hygienic disposable products. Prior to serving as the vice president of our Group in July 2023, she served as associate director of e-commerce department in Insoftb China from March 2021 to September 2022. From September 2022 to July 2023, Ms. Ngan was assistant to the chair, Mr. Ngan in Insoftb China.

Ms. Ngan obtained a bachelor’s degree in business administration in global business management in University of Macau (澳門大學) in the Macau in June 2019. In January 2021, she obtained a master’s degree in management (international business) from University of Durham in Durham, England.

**Mr. JIANG SHUKUN (江樹坤) (“Mr. Jiang”)**, aged 46, is the manager of our research and development department and is responsible for daily management of quality control of our products.

Mr. Jiang has more than 15 years experiences in hygienic disposables industry. He joined our Group in November 2010 and has been acting as the manager of our research and development since then.

Mr. Jiang studied mechatronic engineering at South China University Of Technology (華南理工大學) in Guangdong Province, PRC from September 1999 to July 2003.

**Mr. ZHAN GUOQIANG (詹國強) (“Mr. Zhan”)**, aged 37, is the manager of our warehousing and logistics department and is responsible for daily management of our warehousing and logistics department.

Mr. Zhan has more than 15 years experiences in hygienic disposables industry. He joined our Group in March 2011 and has been acting as the manager of our warehousing and logistics department since then.

Mr. Zhan studied mechatronics at Longyan Senior Technical School (龍岩市高級技工學校) in Fujian Province, PRC from September 2004 to July 2008.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. YAN LIANGYOU (顏良友) (“Mr. Yan”)**, aged 35, is the financial controller of our financial department and is responsible for daily management of our financial department.

Mr. Yan has more than 14 years experiences in the financial field. He joined our Group in May 2015. Prior to joining our Group, Mr. Yan accumulated more than four years of work experience in Fujian Hengan Group Co., Ltd (福建恒安集團有限公司), including experience as an assistant accountant (助理會計). From May 2015 to January 2017, he was the financial supervisor (財務主管) of Insoftb China, and since January 2017, he has been the financial controller (財務總監) at Insoftb China.

He graduated from Northeast Financial University (東北財經大學) in Liaoning Province, PRC in January 2012 with an associate degree in accountancy obtained through online courses.

### JOINT COMPANY SECRETARIES

**Ms. NGAN KA WAI (顏嘉瑋)**, aged 27, was appointed as the one of the Joint Company Secretaries on 8 May 2024. Ms. Ngan is the vice president of our Group and is responsible for foreign trade and assisting the chair, She has over four years of experience in the manufacture and sale of hygienic disposable products. Ms. Ngan obtained a bachelor’s degree in business administration in global business management in University of Macau (澳門大學) in the Macau in June 2019. In January 2021, she obtained a master’s degree in management (international business) from University of Durham in Durham, England.

**Ms. Wong Po Lam (黃寶琳) (“Ms. Wong”)**, aged 35, was appointed as one of the Joint Company Secretaries and one of the Authorised Representatives on 17 November 2025. She has approximately 13 years of experience in financial reporting, auditing, financial management, corporate secretarial and regulatory compliance in listed companies in Hong Kong. Ms. Wong obtained a bachelor’s degree in Accounting from City University of Hong Kong, she is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

\* *English for identification purpose only*

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the Shareholders.

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code during FY2025.

To respond to the amendments to the CG Code, which has been effective from 1 July 2025. Mr. Wong Tai Wai David, an independent non-executive Director, ceased to be a member of the nomination committee of the Board (the “**Nomination Committee**”), and Ms. Leong Kai Weng Subrina, an independent non-executive Director, was appointed as a member of the Nomination Committee to replace Mr. Wong Tai Wai David, both with effect from 23 June 2025.

Since the Listing Date and up to the date of this annual report, the Company has complied with the CG Code. The Company will continue to regularly review and monitor its corporate governance practices to align with the latest corporate governance developments.

## CORPORATE PURPOSE, VALUE AND STRATEGY

Our Group is dedicated to providing comprehensive and essential hygiene solutions tailored to meet consumer needs at every life stage and for various occasions. We adhere to a business philosophy centered on “health business with medical professionalism”.

We uphold core values that prioritize customer-centricity, innovation, high standards of quality and safety, integrity, and eco-sustainability. These principles have been instrumental to our success in the hygienic disposables industry over the years.

In pursuit of our mission, we implement a multifaceted strategy that includes expanding into attractive new categories and fostering innovative product development. We aim to enhance brand visibility and strengthen our direct-to-consumer (D2C) presence, all while continually improving operational efficiencies to elevate our overall performance and competitiveness. Our sustained strategic initiatives focus on delivering high-quality hygienic disposable products and creating value for our stakeholders and the communities we serve.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code during FY2025.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

The functions and duties of the Board include but not limited to convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the second amended and restated memorandum and articles of association of the Company adopted on 10 March 2025 and effective upon the Listing (the **"Articles of Association"**).

The composition of the Board during FY2025 and up to the date of this annual report is set out as follows:

### Executive Directors

Mr. Ngan Pui Kuan (*Chair*)<sup>1</sup>  
 Mr. Zeng Guodong (*Chief Executive Officer*)  
 Mr. Zhou Jiahao<sup>2</sup>  
 Mr. Gao Yue<sup>3</sup>

### Non-Executive Director

Mr. Cai Hao

### Independent Non-Executive Directors

Ms. Leong Kai Weng Subrina (*appointed on 10 March 2025*)<sup>4</sup>  
 Mr. Wong Tai Wai David (*appointed on 10 March 2025*)<sup>4</sup>  
 Mr. Ng Brian Hong Jing (*appointed on 10 March 2025*)<sup>4</sup>

#### Notes:

1. Mr. Ngan is the father-in-law of Mr. Zhou and uncle of Mr. Gao.
2. Mr. Zhou is the son-in-law of Mr. Ngan and cousin of Mr. Gao.
3. Mr. Gao is the nephew of Mr. Ngan and cousin of Mr. Zhou.
4. Ms. Leong, Mr. Wong and Mr. Ng obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 14 March 2026. Each of them has confirmed that he/she understood his/her obligations as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

The biographical details of the Directors are set out under the section headed "Directors and Senior Management" on pages 16 to 22 of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

Since the Listing Date and up to the date of this annual report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

# CORPORATE GOVERNANCE REPORT

## CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER

During FY2025 and up to the date of this annual report, the roles of the Chair and the Chief Executive Officer were separated and performed by different individuals. On 8 May 2024, Mr. Ngan and Mr. Zeng has been appointed as the Chair and the CEO, respectively.

The Chair provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and daily management and operations generally.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules.

The independent non-executive Directors are independent of the management and hence the Company considers that they are free of any relationship that could potentially interfere with the exercise of their independent judgment. None of the independent non-executive Directors has any business or financial interests with the Company nor has any relationship with other Directors. The Company considers all of the independent non-executive Directors are independent.

The Board has also reviewed and considered that the following mechanisms are effective during FY2025 in ensuring that independent views and input are provided to the Board:

- (i) Long serving independent non-executive Directors (i.e. independent non-executive Directors serving more than nine years) to be eligible for nomination by the Board to stand for re-election by the Shareholders;
- (ii) Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and the Board committee(s) as appropriate, and are not entitled to participate in the share award scheme of the Company, if any;
- (iii) In assessing suitability of the candidates, review their profiles based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience;
- (iv) The Board reviews each Director's time commitment to the Group's business annually;
- (v) Independent non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
- (vi) The Company adopts the Model Code as the Code of Conduct and provides guidance to Directors and committee members of the Company on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict; and
- (vii) To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group's expense.

# CORPORATE GOVERNANCE REPORT

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the date thereof, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

The non-executive Director has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than one months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by either party on the other.

According to article 108(a) of the Article of Association, at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

According to article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first AGM after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

Furthermore, pursuant to code provision B.2.2 set out in the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years.

## BOARD MEETING AND GENERAL MEETING

According to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend in accordance with code provisions C.5.3 of the CG Code.

## CORPORATE GOVERNANCE REPORT

During FY2025, the Company held five Board meetings in which Directors at the time to determine and review the overall strategic development of the Group and to oversee the achievement of the plan in relation thereto. The attendance records of each Director at the Board meetings of the Company held during FY2025 are set out in the table below:

Name of Directors	Attendance of Meetings
<b>Executive Directors</b>	
Mr. Ngan Pui Kuan	5/5
Mr. Zeng Guodong	5/5
Mr. Zhou Jiahao	5/5
Mr. Gao Yue	5/5
<b>Non-Executive Director</b>	
Mr. Cai Hao	5/5
<b>Independent Non-Executive Directors</b>	
Ms. Leong Kai Weng Subrina	5/5
Mr. Wong Tai Wai David	5/5
Mr. Ng Brian Hong Jing	5/5

One general meeting was held during FY2025. The attendance records of each Director at the general meeting held FY2025 are set out in the table below:

Name of Directors	Attendance of Meeting
<b>Executive Directors</b>	
Mr. Ngan Pui Kuan	1/1
Mr. Zeng Guodong	1/1
Mr. Zhou Jiahao	1/1
Mr. Gao Yue	1/1
<b>Non-Executive Director</b>	
Mr. Cai Hao	1/1
<b>Independent Non-Executive Directors</b>	
Ms. Leong Kai Weng Subrina	1/1
Mr. Wong Tai Wai David	1/1
Mr. Ng Brian Hong Jing	1/1

# CORPORATE GOVERNANCE REPORT

## DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should receive a comprehensive, formal and tailored induction upon appointment, and all Directors should participate in suitable continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant.

Training session on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest was provided to the following Directors:

	<b>Attendance of training</b>
<b>Executive Directors</b>	
Mr. Ngan Pui Kuan	✓
Mr. Zeng Guodong	✓
Mr. Zhou Jiahao	✓
Mr. Gao Yue	✓
<b>Non-Executive Director</b>	
Mr. Cai Hao	✓
<b>Independent Non-Executive Directors</b>	
Ms. Leong Kai Weng Subrina	✓
Mr. Wong Tai Wai David	✓
Mr. Ng Brian Hong Jing	✓

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the audit committee (the **"Audit Committee"**), remuneration committee (the **"Remuneration Committee"**), the Nomination Committee and sanctions oversight committee (the **"Sanctions Oversight Committee"**).

### Audit Committee

The Audit Committee was established by the Board pursuant to a resolution of the Board on 10 March 2025 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provision D.3.3 and D.3.7 of the CG Code.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Group.

As at the date of this annual report, the members of the Audit Committee are Ms. Leong Kai Weng Subrina, Mr. Ng Brian Hong Jing and Mr. Wong Tai Wai David, all of whom are independent non-executive Directors. Ms. Leong Kai Weng Subrina is the chair of the Audit Committee.

Two meetings of the Audit Committee were held during FY2025. The attendance records of each member at the Audit Committee meetings held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meetings</b>
Ms. Leong Kai Weng Subrina ( <i>Chair</i> )	2/2
Mr. Wong Tai Wai David	2/2
Mr. Ng Brian Hong Jing	2/2

## CORPORATE GOVERNANCE REPORT

The summary of the work of the Audit Committee at the said meetings or by way of written resolutions is as follows:

- (i) reviewed the final results and annual report of the Group for FY2024, the interim results and report for the six months ended 30 June 2025 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;
- (ii) reviewed the Group's financing and accounting policies; and
- (iii) reviewed and recommended appointment of external auditor, improvements on the Group's internal and compliance control system and risk management functions.

On 27 March 2026, the Group's results for FY2025 have been reviewed by the Audit Committee.

During FY2025 and FY2024, the fees paid/payable to the Company's external auditor, Forvis Mazars CPA Limited ("**Forvis Mazars**") were as follows:

<b>Services rendered</b>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>Audit services</b>		
Annual audit	<b>1,223</b>	1,201
<b>Non-audit services</b>		
Interim review	<b>184</b>	–
Professional services in connection to the Listing as the reporting accountant <sup>(i)</sup>	<b>–</b>	4,027
Others <sup>(ii)</sup>	<b>156</b>	92
	<b>1,563</b>	5,320

*Notes:*

- (i) The amount represents the total fee for the entire professional services as the reporting accountant for the Listing. Such professional fees have been/will be recognised in various accounting periods.
- (ii) Other non-audit services mainly include attendance of the annual general meeting of the Company, agreed-upon procedures on preliminary announcements of annual results and report on the continuing connected transactions for the year ended 31 December 2025 (2024: attendance of the annual general meeting of the Company).

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The Remuneration Committee was established by the Board pursuant to a resolution of the Board on 10 March 2025 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the code provision E.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of the Directors determine their own remuneration.

As at the date of this annual report, the members of the Remuneration Committee are Mr. Wong Tai Wai David, Mr. Ng Brian Hong Jing and Mr. Ngan Pui Kuan. Mr. Wong Tai Wai David is the chair of the Remuneration Committee.

One meeting of the Remuneration Committee was held during FY2025. The attendance records of each member at the Remuneration Committee meeting held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
Mr. Wong Tai Wai David ( <i>Chair</i> )	1/1
Mr. Ng Brian Hong Jing	1/1
Mr. Ngan Pui Kuan	1/1

The summary of the work of the Remuneration Committee at the said meeting is as follows:

- (i) made recommendations to the Board on the Company's remuneration policy of Directors and senior management;
- (ii) reviewed the remuneration packages of Directors and senior management in relation to the performance and financial position of the Company; and
- (iii) made recommendations to the Board on the remuneration of independent non-executive Directors.

## CORPORATE GOVERNANCE REPORT

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management (excluding executive Directors) by band for FY2025 is set out below:

<b>Remuneration band (in HK\$)</b>	<b>Number of Individuals</b>
Nil to HK\$1,000,000 (equivalent to nil to approximately RMB920,000)	4

Details of the remuneration of each Director for FY2025 are set out in Note 7 to the consolidated financial statements in this annual report.

### Nomination Committee

The Nomination Committee was established by the Board pursuant to a resolution of the Board on 10 March 2025 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the code provision B.3.1 of the CG Code.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

As at the date of this annual report, the members of the Nomination Committee are Mr. Ng Brian Hong Jing, Ms. Leong Kai Weng Subrina and Mr. Gao Yue. Mr. Ng Brian Hong Jing is the chair of the Nomination Committee.

One meeting of the Nomination Committee was held during FY2025. The attendance records of each member at the Nomination Committee meeting held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
Mr. Ng Brian Hong Jing ( <i>Chair</i> )	1/1
Ms. Leong Kai Weng Subrina ( <i>appointed on 23 June 2025</i> )	N/A
Mr. Gao Yue	1/1
Mr. Wong Tai Wai David ( <i>ceased on 23 June 2025</i> )	1/1

## CORPORATE GOVERNANCE REPORT

The summary of the work of the Nomination Committee at the said meeting or by way of written resolutions is as follows:

- (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- (ii) assessed the independence of independent non-executive Directors;
- (iii) made recommendations on the retiring directors at the AGM of the Company; and
- (iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity on selection of candidates for directorship of the Company.

### Sanctions Oversight Committee

The Board has established the Sanctions Oversight Committee to manage the Group's exposures to sanctions risks and oversee the implementation of internal control policies.

The primary duties of the Sanctions Oversight Committee include, among others, monitoring the Group's exposure to sanctions risks and our implementation of the related internal control procedures.

As at the date of this annual report, the members of the Sanctions Oversight Committee are Mr. Zeng Guodong, Mr. Cai Hao and Mr. Zhou Jiahao. Mr. Zeng Guodong is the chair of the Sanctions Oversight Committee.

Two meetings of the Sanctions Oversight Committee were held during FY2025. The Sanctions Oversight Committee was of the view that these measures are adequate and effective for the Company to comply with all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United States of America, the European Union and the United Nations or any other governmental authority having jurisdiction over the Group's business, and the Company's undertakings to the Stock Exchange.

Name of Directors	Attendance of Meetings
Mr. Zeng Guodong ( <i>Chair</i> )	2/2
Mr. Cai Hao	2/2
Mr. Zhou Jiahao	2/2

The Sanctions Oversight Committee reviewed, among other things, the internal control measures on sanctions risk of the Group at the said meetings.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions with written specific terms of reference in compliance with the code provisions A.2.1 of the CG Code.

The duties of the Board in respect of the corporate governance functions are summarised as follows:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in this annual report.

## BOARD DIVERSITY POLICY

The Group has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the Group's business growth. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## CORPORATE GOVERNANCE REPORT

The Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, investment, auditing and legal experiences. The Board members also obtained degrees and/or diplomas in various majors including language, business economic, accounting, finance, corporate governance, history and political science and law. Furthermore, the ages of the Directors range from 31 years old to 67 years old. The Group has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. While the Company recognised that gender diversity at the Board level and do not have a single gender board, one of the independent non-executive Directors is female.

The Board has taken, and will continue to keep gender balance through measures implemented by the Nomination Committee in accordance with the Board Diversity Policy. In particular, the Board will keep identifying and selecting female individuals with a diverse range of skills, experience and knowledge in different fields who are suitably qualified to become the Board members and maintain at least one female Director and at least 10% female representations in the Board. To develop a pipeline of potential female successors to the Board, the Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

As at 31 December 2025, the Group had 385 employees (including executive Directors) (2024: 287 employees) in total comprising of 192 females (2024: 147 females) and 193 males (2024: 140 males). The female-to-male ratio of senior management is approximately 0.1:1 (2024: approximately 0.1:1), and of employees (excluding senior management) is approximately 1:1 (2024: approximately 1.1:1). The Group will continue with our endeavor to achieve gender equality in the Group.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives have been adopted:

- (i) the Company should comply with the requirements on board composition in the Listing Rules from time to time;
- (ii) the number of independent non-executive Directors should be not less than three and one-third of the Board;
- (iii) at least one Director is female and at least 10% female representations in the Board;
- (iv) at least one Director shall have obtained accounting or other professional qualifications; and
- (v) at least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

## CORPORATE GOVERNANCE REPORT

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee is responsible to review the Board Diversity Policy (including gender balance) from time to time to ensure its continued effectiveness on an annual basis. As at the date of this annual report, the Nomination Committee considered that all measurable objectives have been fulfilled.

### NOMINATION PROCEDURE

All Board appointments will be based on the Board Diversity Policy and meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The ultimate decision will be made by Board on merit and contribution that the selected candidates will bring to the Board.

According to the Articles and Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first AGM after his appointment and be subject to re-election at such meeting.

### FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for FY2025 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors' and auditor's responsibilities in respect of the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 96 to 102 in this annual report.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. Therefore, the consolidated financial statements are prepared in going concern basis.

On 27 March 2026, the Audit Committee and the Board have reviewed the consolidated financial statements of the Group for FY2025.

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

Details of the remuneration paid/payable to Forvis Mazars are set out on page 30.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for audit services and non-audit service is reasonable. There has been no major disagreement between the external auditor and the management of the Company during FY2025.

The responsibilities of the external auditor about its financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements are set out in the "Independent Auditor's Report" on pages 96 to 102 in this annual report.

## DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") in recommending dividends, to provide stable and sustainable returns to the Shareholders.

The Company does not have any predetermined dividend payout ratio. The Board has absolute discretion as to whether to recommend any dividend payment for any financial year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Articles of Association which also requires the approval of the Shareholders, if necessary. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group's lenders; (v) general market conditions; and (vi) any other factors which the Board may deem appropriate at such time.

The Directors do not recommend the payment of final dividend for FY2025 (FY2024: Nil). The Directors consider that the dividend decisions were made in accordance with the Dividend Policy.

## INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. All employees are bound by the Group's Code of Conduct to keep all inside information strictly confidential until the disclosure of such information is appropriately approved and refrain from accepting personal benefits through the power or authority derived from their positions.

# CORPORATE GOVERNANCE REPORT

## JOINT COMPANY SECRETARIES

On 17 November 2025, Mr. Yeung Kwong Wai (“**Mr. Yeung**”) resigned, and Ms. Wong has been appointed as the Joint Company Secretary. As at the date of this annual report, Ms. Ngan and Ms. Wong are the Joint Company Secretaries.

Although Ms. Ngan does not possess a qualification as required under Rules 3.28 and 8.17 of the Listing Rules, the Directors consider that Ms. Ngan, by virtue of her background and experience, is capable of discharging the functions of the Joint Company Secretary. A waiver (the “**Original Waiver**”) was granted by the Stock Exchange to the Company from strict compliance with Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Ngan as one of the Joint Company Secretaries, for an initial period of three years from 27 March 2025, the Listing Date. The Original Waiver was granted on the conditions that: (i) Mr. Yeung, who possesses the requisite qualifications under Rule 3.28 of the Listing Rules, is appointed as the other Joint Company Secretary to assist Ms. Ngan in discharging her duties; and (ii) the Original Waiver will be revoked in the event of material breaches of the Listing Rules by the Company.

Given the resignation of Mr. Yeung, the condition of the Original Waiver regarding assistance to Ms. Ngan can no longer be fulfilled. On the basis of the foregoing, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a new waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules (the “**New Waiver**”) for the remaining period of the Original Waiver until 26 March 2028 (the “**Remaining Waiver Period**”), on the conditions that: (i) Ms. Ngan must be assisted by Ms. Wong during the Remaining Waiver Period; and (ii) the New Waiver could be revoked if there are material breaches of the Listing Rules by the Company.

Before the end of the Remaining Waiver Period, the Company must demonstrate and seek the Stock Exchange’s confirmation that Ms. Ngan, having had the benefit of Ms. Wong’s assistance during the Remaining Waiver Period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 such that a further waiver will not be necessary. The Stock Exchange may withdraw or change it if the Company’s situation changes.

During FY2025, Ms. Ngan, Ms. Wong and Mr. Yeung had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

According to code provisions C.6.1 of the CG Code, where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact. Ms. Wong is an external service provider in respect of the appointment of Ms. Wong as one of the Joint Company Secretaries, the primary person at the Company with whom Ms. Wong has been contacting in respect of company secretarial matters is Mr. Ngan, an executive Director.

The biographical details of Ms. Ngan and Ms. Wong are set out in the section headed “Biographical Details of Directors and Senior Management” on page 21 and page 22 of this annual report, respectively.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for formulating and overseeing the implementation of the Group's internal control measures and the effectiveness of the Group's risk management system. The Board has established ongoing and responsive risk management and internal control systems and processes designed to manage, rather than eliminate, the risk of failing to achieve the organisation's strategic objectives. Accordingly, these systems can provide only reasonable, and not absolute, assurance against material misstatement or loss. These processes include: (i) understanding the organisation's objectives; (ii) identifying and assessing the risks associated with achieving, or failing to achieve, those objectives, including evaluating the likelihood and potential impact of such risks; and (iii) developing, implementing, and monitoring preventive and corrective action plans to address identified risks.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group has engaged an independent internal control consultant to, on an annual basis, review and provide recommendations on improving its internal control system in order to manage our business risks and to ensure our smooth operation. The review covered certain operational procedures. No significant control failings or weakness have been identified by the consultant during the review. The Board and the Audit Committee would review the need for an internal audit function on an annual basis.

The Company has conducted a review on the effectiveness and efficiency of the Groups risk management and internal control systems and makes timely improvements based on changes and existing defects for the purpose of listing of the Shares on the main board of the Stock Exchange during FY2025 and the management has confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisers. Since the Listing and up to the date of this annual report, the Board satisfied and confirmed that the Group's risk management and internal control systems were effective and adequate. However, the systems aim to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss.

## ANTI-BRIBERY AND ANTI-CORRUPTION SYSTEM AND WHISTLEBLOWING SYSTEM

The Group has established a monitoring system against corruption, embezzlement and commercial bribery, aiming to improve the level of corporate governance, prevent and curb the occurrence of corruption, embezzlement and commercial bribery, and strengthen the protection of the Company's assets.

The Group has formulated the "Whistleblower System", which aims to enhance the awareness of all employees to maintain internal corporate justice, and meanwhile, provide whistleblowing channels and guidelines for the employees within the Group. We encourage employees to submit whistleblowing to the Company internally in a responsible and effective manner.

Details of the systems are set out in the section headed "Environmental, Social and Governance Report" on page 88 of this annual report.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

The Company welcomes the Shareholders to attend the general meetings to express their opinions and encourages all Directors to attend the general meetings to get into direct communications with the Shareholders.

### Convening an Extraordinary General Meeting

According to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring 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 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company who have enquiries for the Board are most welcomed to contact the Company at any time and such enquiries will be forwarded to the Board. The contact details are as follows:

Address: Room 1910, 19/F., C C Wu Building 302-308 Hennessy Road, Wan Chai, Hong Kong  
Facsimile: (852) 2529 9292  
E-mail: [business@insoftb.com](mailto:business@insoftb.com)

### Procedures for Shareholders to Put Proposals at General Meeting

Shareholders are advised to follow Article 64 of the Articles of Association for including a resolution through a valid requisition of an extraordinary general meeting. Details are set out in paragraph "Convening an extraordinary general meeting" above.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, in general, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website ([www.Insoftb.com](http://www.Insoftb.com)).

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency and has established a shareholders communication policy (the "**Shareholders Communication Policy**") between itself, its Shareholders and investors which aims to set out the principles of the Company in relation to the Shareholders' communications. The Shareholders Communication Policy will be under review from time to time in order to ensure its effectiveness.

The Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered it to be effective since the Listing Date to the date of this annual report.

## CONSTITUTIONAL DOCUMENTS

The Articles of Association were approved on 10 March 2025 by special resolution and with effect from the Listing Date. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during FY2025 and up to the date of this annual report.

On behalf of the Board

**Ngan Pui Kuan**

*Chair*

Quanzhou Jinjiang, Fujian, the PRC, 27 March 2026

## REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for FY2025.

### SHARE OFFER

The Company was incorporated in the Cayman Islands on 22 November 2023 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

As at 31 December 2024, the issued share capital of the Company was HK\$10,000 divided into 100,000,000 Shares with nominal value of HK\$0.0001 each. Immediately after completion of the capitalisation issue and the Global Offering, as at 31 December 2025 and up to the date of this annual report, the issued share capital of the Company increased to HK\$100,000 divided into 1,000,000,000 Shares with nominal value of HK\$0.0001 each.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company's principal subsidiaries are set out in Note 25 to the consolidated financial statements of this annual report.

### BUSINESS REVIEW

A fair review of the Group's business and likely future development, and a description of the principal risks and uncertainties being faced by the Group are provided in the "Chair's Statement" on pages 4 to 5, "Chief Executive Officer's Review" on pages 6 to 7 and "Management Discussion and Analysis" on pages 9 to 15 of this annual report.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes there are certain risks and uncertainties involved in its operations, some of which are beyond the Group's. These risks and uncertainties can be broadly categorised into: (i) risks relating to the Group's business and industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering. For a more comprehensive list of risk factors and explanations, please refer to the section headed "Risk Factors" in the Prospectus. There was no material difference in the identified risks between those disclosed in the Prospectus and this annual report.

Further descriptions of the Group's financial risk (including credit risk and liquidity risk) management objectives and policies are set out in Note 30 to the consolidated financial statements of this annual report.

An analysis of the Group's performance during FY2025 using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on pages 184 to 185 and pages 9 to 15 of this annual report, respectively.

The Group did not have any significant events after the reporting period and up to the date of this annual report.

## REPORT OF THE DIRECTORS

### COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2025, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

Since the Listing Date and up to the date of this annual report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

In addition, the Company has all times complied with Rule 3.21 of the Listing Rules, which requires that the Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

### RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

#### Employees

The Group considers employees are the important assets and their contribution is valued at all times. The Group provides competitive remuneration package to attract and retain high quality employees for long term business development. The Group reviews the compensation to employees in accordance with their performances, contributions and the prevailing market practice annually. The Group regularly provides training programme to the employees to enhance our employees' skills, knowledge and capability. To ensure that all of our employees are aware of our safety procedures and policies, the Group also regularly provides training programme to the employees on workplace safety.

The Directors believe that the Group has a good relationship with its employees. During FY2025, none of the employees had any labour dispute or claim involving and against the Group.

#### Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group enjoy good relationships with customers and suppliers with mutual trust. Accordingly, the management have kept good communications, promptly exchanged ideas and shares business update with them when appropriate. During FY2025, there were no material and significant dispute between the Group and its customers and/or suppliers.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details of environmental, social and governance policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 53 to 95 of this annual report.

## REPORT OF THE DIRECTORS

### RESULTS AND DIVIDEND

The results for FY2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 103 of this annual report. The Directors do not recommend the payment of final dividend for FY2025 and FY2024.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on pages 184 to 185 of this annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2025 are set out in Note 14 to the consolidated financial statements.

### BORROWINGS

Particulars of borrowings of the Group as at 31 December 2025 are set out in Note 23 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during FY2025 are set out in Note 26 to the consolidated financial statements. The Group has not adopted any share scheme.

### RESERVE

Details of movements in the reserves of the Group during FY2025 are set out in the consolidated statement of changes in equity on pages 106 to 107 of this annual report.

### DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company are set out in Note 34 to the consolidated financial statements of this annual report. As at 31 December 2024, the Company did not acknowledge the reserve available for distribution to equity holders.

### DONATIONS

During FY2025, the Group did not make any charitable and other donations (FY2024: RMB50,000).

### EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during FY2025 or subsisted at the end of FY2025.

# REPORT OF THE DIRECTORS

## 2026 AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on Thursday, 18 June 2026 (the “**2026 AGM**”), the register of members of the Company will be closed from Monday, 15 June 2026 to Thursday, 18 June 2026 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2026 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 12 June 2026.

## DIRECTORS

The Directors during FY2025 and up to the date of this annual report were:

### Executive Directors

Mr. Ngan Pui Kuan (*Chair*)<sup>1</sup>

Mr. Zeng Guodong (*Chief Executive Officer*)

Mr. Zhou Jiahao<sup>2</sup>

Mr. Gao Yue<sup>3</sup>

### Non-Executive Director

Mr. Cai Hao

### Independent Non-Executive Directors

Ms. Leong Kai Weng Subrina (*appointed on 10 March 2025*)

Mr. Wong Tai Wai David (*appointed on 10 March 2025*)

Mr. Ng Brian Hong Jing (*appointed on 10 March 2025*)

Notes:

1. Mr. Ngan is the father-in-law of Mr. Zhou and uncle of Mr. Gao.
2. Mr. Zhou is the son-in-law of Mr. Ngan and cousin of Mr. Gao.
3. Mr. Gao is the nephew of Mr. Ngan and cousin of Mr. Zhou.

Pursuant to Article 108(a) of the Articles of Association, at every AGM, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM by rotation at least once every three years. Furthermore, pursuant to Article 112 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. The Directors retiring by rotation at the 2026 AGM are Mr. Gao, Ms. Leong and Mr. Wong. They will retire and, being eligible, offer themselves for re-election as Directors at the 2026 AGM.

## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2026 AGM has service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2025.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Neither the Company nor any its subsidiaries was a party to any arrangements to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights during FY2025.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Continuing Connected Transactions" and "Related Party Transactions" in this annual report and Note 28 to the consolidated financial statements of this annual report, no contracts, transactions or arrangements of significance, to which the Company, its subsidiaries, its holding company or any of its subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2025 or at any time during FY2025.

### PERMITTED INDEMNITY PROVISION

Pursuant to Article 190 of the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain or about the execution of the duties of his/her office or otherwise in relation thereto.

Code provision C.1.7 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company maintains a directors and officers liability insurance cover in respect of potential costs and liabilities arising from claims brought against its Directors and officers during FY2025.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Approximate percentage of the Company's issued share capital (%)
Mr. Ngan <sup>(2)</sup>	Interests in controlled corporations	675,000,000	67.50
Mr. Zeng <sup>(3)</sup>	Interests in controlled corporations	75,000,000	7.50

Notes:

- (1) The Letter "L" demonstrates long position
- (2) Mr. Ngan beneficially owns the entire issued shares of Softo Co., Ltd ("**Softo BVI**"). Softo BVI is a company incorporated in the British Virgin Islands (the "**BVI**") which in turn holds 442,125,000 Shares or approximately 44.21% of the issued share capital of the Company. Wish International Holding Ltd ("**Wish BVI**") and Galaxy International Holdings Ltd ("**Galaxy BVI**"), the companies incorporated in the BVI and are wholly owned by Softo BVI, in turn holds 120,000,000 Shares or approximately 12.00% and 112,875,000 Shares or approximately 11.29% of the issued share capital of the Company, respectively. Therefore, Mr. Ngan is deemed, or taken to be, interested in all the Shares held by Softo BVI, Wish BVI and Galaxy BVI for the purpose of the SFO.
- (3) Mr. Zeng beneficially owns the entire issued shares of Aspiring International Holding Ltd ("**Aspiring BVI**"). Aspiring BVI is a company incorporated in the BVI which in turn holds 45,400,000 Shares or approximately 4.54% of the issued share capital of the Company. Ambition International Holding Ltd ("**Ambition BVI**"), a company incorporated in the BVI and is wholly owned by Aspiring BVI, in turn holds 29,600,000 Shares or approximately 2.96% of the issued share capital of the Company. Therefore, Mr. Zeng is deemed, or taken to be, interested in all the Shares held by Aspiring BVI and Ambition BVI for the purpose of the SFO.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2025, the following persons held an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follow:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Approximate percentage of the Company's issued share capital (%)
Mr. Ngan <sup>(2)</sup>	Interests in controlled corporations	675,000,000	67.50
Softo BVI <sup>(2)</sup>	Beneficial owner	442,125,000	44.21
	Interest in controlled corporations	232,875,000	33.29
Wish BVI <sup>(2)</sup>	Beneficial owner	120,000,000	12.00
Galaxy BVI <sup>(2)</sup>	Beneficial owner	112,875,000	11.29
Mr. Zeng <sup>(3)</sup>	Interests in controlled corporations	75,000,000	7.50
Aspiring BVI <sup>(3)</sup>	Beneficial owner	45,400,000	4.54
	Interest in a controlled corporation	29,600,000	2.96
Ambition BVI <sup>(3)</sup>	Beneficial owner	29,600,000	2.96

Notes:

- (1) The Letter "L" demonstrates long position.
- (2) Softo BVI, Wish BVI and Galaxy BVI held approximately 44.21%, 12.00% and 11.29% of the issued share capital of the Company, respectively. Each of Wish BVI and Galaxy BVI is wholly owned by Softo BVI, which is in turn wholly owned by Mr. Ngan. Mr. Ngan is therefore deemed to be interested in the Shares that each of Softo BVI, Wish BVI and Galaxy BVI is interested in.
- (3) Aspiring BVI and Ambition BVI held approximately 4.54% and 2.96% of the issued share capital of the Company, respectively. Ambition BVI is wholly owned by Aspiring BVI, which is in turn wholly owned by Mr. Zeng. Mr. Zeng is therefore deemed to be interested in the Shares that each of Aspiring BVI and Ambition BVI is interested in.

Save as disclosed above, the Directors are not aware of any other person who had beneficial interests or short positions in any Shares or underlying Shares, which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

## REPORT OF THE DIRECTORS

### CONTINUING CONNECTED TRANSACTIONS

Insoftb (China) Co., Ltd.\* (嬰舒寶(中國)有限公司) (“**Insoftb China**”), a wholly-owned subsidiary of the Company has entered into a number of transactions with Jinjiang Zhihua Logistics Co., Ltd.\* (晉江市志華物流有限公司) (“**Zhihua Logistics**”), in which Zhihua Logistics has provided logistics and transportation service (the “**Logistics Services**”) to Insoftb China. Zhihua Logistics is owned as to 100% by Mr. Gao, an executive Director of the Company. Mr. Gao is the nephew of Mr. Ngan, the Controlling Shareholder and executive Director, and cousin of Mr. Zhou, the executive Director. Therefore, Zhihua Logistics is an associate of Mr. Gao and a connected person of the Company. Accordingly, Zhihua Logistics is an associate of Mr. Gao pursuant to Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules upon the Listing.

With a view to regulating the provision of the Logistics Services provided by Zhihua Logistics in compliance with the Listing Rules, on 14 March 2025, Insoftb China entered into the logistics and transportation service agreement (the “**Service Agreement**”) with Zhihua Logistics, pursuant to the Service Agreement, Zhihua Logistics agreed to provide the Logistics Services to Insoftb China. The Service Agreement is for a term of three years with effect from 1 January 2025 to 31 December 2027. The annual cap for the Service Agreement for each of FY2025, years ending 31 December 2026 and 2027 is expected to be approximately RMB22.0 million, RMB24.0 million and RMB26.5 million, respectively. During FY2025, the transaction amount entered by Insoftb China with Zhihua Logistics amounted to approximately RMB18.3 million (FY2024: approximately RMB16.2 million), which was within the annual cap for FY2025.

As each of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps under the Service Agreement is expected to be more than 0.1% but less than 5% and thus the transactions contemplated under the Service Agreement constitute continuing connected transactions of our Company (the “**Continuing Connected Transactions**”) which will be subject to the annual review, reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Forvis Mazars has been engaged to report on the Group’s Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) – Auditors’ Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules containing their findings and conclusion on the Continuing Connected Transactions, stating that Forvis Mazars did not notice anything that causes them to believe that any of the Continuing Connected Transactions (a) had not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group for the Continuing Connected Transactions; (c) were not entered into, in all material aspects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and (d) exceeded the relevant annual cap for FY2025 with respect to the aggregate amount of the Continuing Connected Transactions.

\* English for identification purpose only

## REPORT OF THE DIRECTORS

The Independent Non-executive Directors have reviewed the Continuing Connected Transactions in accordance with Rule 14A.55 of Listing Rules and confirmed that up to the date of this annual report such transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the Service Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 28 to the consolidated financial statements in this annual report.

The Service Agreement as disclosed in the section headed “Continuing Connected Transactions” in this annual report constituted continuing connected transactions for the Company under the Listing Rules upon the Listing. Save as disclosed above, no other related party transactions as set out in Note 28 to the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### MAJOR CUSTOMERS AND SUPPLIERS

During FY2025, the Group made approximately 45.9% (FY2024: approximately 51.2%) of its entire sales to Group’s five largest customers and sales to the largest customer included therein amounted to approximately 34.4% (FY2024: approximately 41.1%). Purchases from the Group’s five largest suppliers accounted for approximately 37.1% (FY2024: approximately 24.2%) of the total purchases for FY2025 and purchases from the largest supplier included therein amounted to approximately 10.5% (FY2024: approximately 7.8%).

None of the Directors, their associate or any Shareholder (which to the best knowledge of the Directors own more than 5% of the Company’s share capital) had any beneficial interest in the major customers or suppliers noted above.

### RETIREMENT BENEFIT SCHEMES

The Group strictly complies with the defined contribution retirement plans organised by local governments in the PRC. Details of the Group’s retirement benefit schemes for FY2025 are set out in “Employee and remuneration policy” under section headed “Management Discussion and Analysis” on pages 13 and Notes 2 and 6 to the consolidated financial statements of this annual report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, where the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## REPORT OF THE DIRECTORS

### TAX RELIEF AND EXEMPTION

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Intending holders and investors of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding, disposal of or dealing in the Shares.

### DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in the Directors' Report, at no time during FY2025 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during FY2025.

### COMPETING INTEREST

During FY2025 and up to the date of this annual report, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete directly or indirectly with the business of the Group.

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

During FY2025 and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. As at 31 December 2025, there were no treasury shares (as defined under the Listing Rules) held by the Company.

### REMUNERATION POLICY

During FY2025, the remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprise salary, contribution to pension schemes and discretionary bonus related to the profit of the relevant company.

The remuneration package of the Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review regularly the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

## REPORT OF THE DIRECTORS

### USE OF PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK\$85.1 million after deducting underwriting commissions and all related expenses. For details of use of proceeds from the Listing, please refer to the paragraph headed "Future Plans and Use of Proceeds" on page 15 in this annual report.

Since the Listing Date, the Group has gradually utilised the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, since the Listing Date and up to the date of this annual report, the Company has maintained a sufficient public float of not less than 25% of the Company's total number of issued Shares as required under the Listing Rules.

### AUDITOR

The consolidated financial statements for FY2025 have been audited by Forvis Mazars, *Certified Public Accountants*. Forvis Mazars will retire in the 2026 AGM, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2026 AGM.

From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditor.

On behalf of the Board

**Ngan Pui Kuan**

*Chair*

Quanzhou Jinjiang, Fujian, the PRC, 27 March 2026

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

Soft International Group Ltd (hereinafter referred to as the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we”), as a manufacturer of daily consumer goods integrating market research and development, product research, production, terminal sales and marketing services, are committed to providing high-quality products such as baby diapers, feminine care products, medical and health products, and household daily necessities to our customers in the People’s Republic of China (hereinafter referred to as “China”).

In view of this, the content of the Environmental, Social and Governance (hereinafter referred to as “ESG”) Report will focus on the balance among corporate needs, social demands and environmental concerns, and report to various stakeholders on the achievements we have made in these three aspects and the future development directions. The Group understands that injecting elements of sustainable development into corporate strategies has become a trend. We will actively communicate with different stakeholders to understand their needs and carry out comprehensive management on ESG issues. During the implementation of the sustainable development plan, the Group will consider relevant short-term and long-term factors, including the challenges we are facing, our responsibilities to stakeholders, global trends, regulations and risk management, etc. We believe that in today’s constantly changing business environment, in the long run, an enterprise must take on its responsibilities regarding ESG issues in order to embark on the path to success.

By carefully and thoroughly understanding the various risks and opportunities the Group faces in terms of ESG, the Group will actively fulfill its corporate social responsibilities, comply with local laws, and provide employees with a suitable working environment. Meanwhile, the Group will also pay attention to social issues, including responsible procurement, environmental protection, volunteer activities, etc. We will also start by reducing waste to contribute to the environment. As a member of society, the Group is determined to strive to make contributions to society and work together to create a better community environment.

Finally, in respect of the Group’s policies and performance in the four key aspects of environmental protection, employment and labor practices, operational practices, and community engagement during the period from 1 January 2025 to 31 December 2025, the Board of Directors is pleased to present the Group’s ESG Report for 2025.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE ESG REPORT

### Introduction to the Report

The ESG Report introduces the Group's significant ESG performance during the reporting year, as well as its long-term commitment to ESG. The ESG Report mainly focuses on the Group's core business, which involves the research and development, production, sales, and marketing of products such as baby diapers, feminine care products, medical and health products, and household daily necessities in the Chinese mainland, so as to describe the progress we have made in creating sustainable value for shareholders and other stakeholders.

### Reporting Scope

The reporting period of the ESG Report is from 1 January 2025 to 31 December 2025 ("2025" or the "reporting year"), and relevant disclosures are made in accordance with the requirements of the "Environmental, Social and Governance Reporting Code" in Appendix C2 to the "Main Board Listing Rules" promulgated by The Stock Exchange of Hong Kong Limited (referred to as "the Hong Kong Stock Exchange"), which complies with the "comply or explain" provisions therein. In view of the fact that the operations of Insoftb (China) Co., Ltd.\* (嬰舒寶(中國)有限公司) (i.e., our headquarters office building, production plant and warehouse located in Jinjiang City) and Fujian Insoftb New Materials Technology Co., Ltd.\* (福建嬰舒寶新材料科技有限公司) (i.e., our production plant and warehouse located in Shishi City) account for the majority of the Group's performance, after the management's consideration of the Group's sales performance and business coverage, the reporting scope of the environmental aspect in the ESG Report is based on the businesses of Insoftb (China) Co., Ltd. and Fujian Insoftb New Materials Technology Co., Ltd. during the reporting year for relevant reporting.

The environmental aspect of the ESG Report summarizes the ESG practices in the environmental aspect of the Group's main operating entities, namely Insoftb (China) Co., Ltd. and Fujian Insoftb New Materials Technology Co., Ltd, during the reporting year. The information included helps to understand and assess the Group's performance in the environmental aspect in its daily business operations in China. Since the Group's management believes that the operations of other subsidiaries of the Group have a minimal impact on its environmental performance, therefore, the environmental key performance indicator data of business entities other than Insoftb (China) Co., Ltd. and Fujian Insoftb New Materials Technology Co., Ltd are not included in the environmental aspect of the ESG Report.

The social aspect of the ESG Report summarizes the ESG practices in the social aspect of all operating entities of the Group during the reporting year. The information included helps to understand and assess the Group's performance in the social aspect in its daily business operations in China.

\* *For identification purposes only*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Reporting Principles

The ESG Report complies with the requirements of the “Environmental, Social and Governance Reporting Code” set out in Appendix C2 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, covering the reporting principles of materiality, quantification and consistency. The details are set out below:

### *Materiality*

In addition to internal factors such as the Group’s corporate values, strategies and core competitiveness, the Group also attaches great importance to communication with internal and external stakeholders, and takes into account the ESG strategies of other industry competitors to achieve sustainable development. We have identified the following aspects that have or may have a significant impact on the Group’s ESG performance: (Please also refer to the relevant content in the “Materiality Assessment” section.)

- The market development directions and trends of disposable hygiene products (such as baby care products, feminine care products, and adult incontinence products);
- The current or future operating and social environment in which the Group is situated;
- The operational and social impacts and responsibilities brought about by extreme weather on the Group’s supply chain and operations;
- The requirements of relevant industry laws and regulations;
- The Group’s financial and operating performance; and
- The assessments, decisions, and actions of the Group’s stakeholders.

### *Quantification*

The key performance indicators disclosed in the ESG Report are data supported by quantifiable and measurable criteria. The sources of all calculation tools, methods, reference materials, conversion factors, etc. applied will be disclosed when the relevant data are presented in the Report.

### *Consistency*

To facilitate the comparison of the Group’s ESG performance in subsequent years, the Group will, under reasonable circumstances, use consistent data collection, calculation, and reporting methods in each financial year, and record in detail any significant changes that occur in the relevant sections. In the Report, unless otherwise indicated, the density calculation of relevant performance indicator data will be based on the Group’s sales revenue for 2025. The Group’s sales revenue for 2025 was approximately RMB1,086.50 million (the sales revenue for 2024 was approximately RMB752.8 million). When preparing the Report, the Group has referred to a number of global, local, and industry standards or best practices, including the ESG reporting guidelines of the Hong Kong Stock Exchange and the applicable Hong Kong accounting and financial reporting standards.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Feedback

The Group attaches great importance to the issues of concern to each stakeholder. Therefore, we warmly welcome any opinions and suggestions that can enhance the Group's ESG performance. The Group adopts an open and appreciative attitude towards all the opinions and suggestions collected, so as to safeguard the common interests of the Group and all stakeholders. Stakeholders are welcome to send such opinions and suggestions to the Group's email address (business@insoftb.com).

## ABOUT SOFT INTERNATIONAL GROUP LTD

### Our Business

The Group was established in 2010 and has its business bases in Jinjiang City, Fujian Province, Shishi City, Fujian Province, and Chuzhou City, Anhui Province, China. As a manufacturer of daily consumer goods integrating market research and development, product research, production, terminal sales, and marketing services, we are committed to providing high – quality products such as baby diapers, feminine care products, medical and health products, and household daily necessities to our customers in China.

### Our Corporate Purpose

For consumers: Provide healthy, reassuring, comfortable and superior products

For customers: Achieve win-win cooperation and grow together

For shareholders: Assume a high level of responsibility and offer long-term returns

For employees: Provide training for improvement and help them achieve development

For society: Operate in accordance with the law and show care for society

### Our Mission

Provide essential and comprehensive hygiene solutions that meet consumers' needs for various occasions throughout the entire life stage.

### Our Corporate Spirit

Integrity, striving, innovation, and harmony

### Our Board of Directors

As of the date of the ESG Report, the members of the Group's Board of Directors include:

Executive Director	Non-executive Director	Independent Non – executive Director
Mr. Ngan Pui Kuan (chair)	Mr. Cai Hao	Mr. Wong Tai Wai David
Mr. Zeng Guodong		Mr. Ng Brian Hong Jing
Mr. Gao Yue		Ms. Leong Kai Weng Subrina
Mr. Zhou Jiahao		

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS ENGAGEMENT

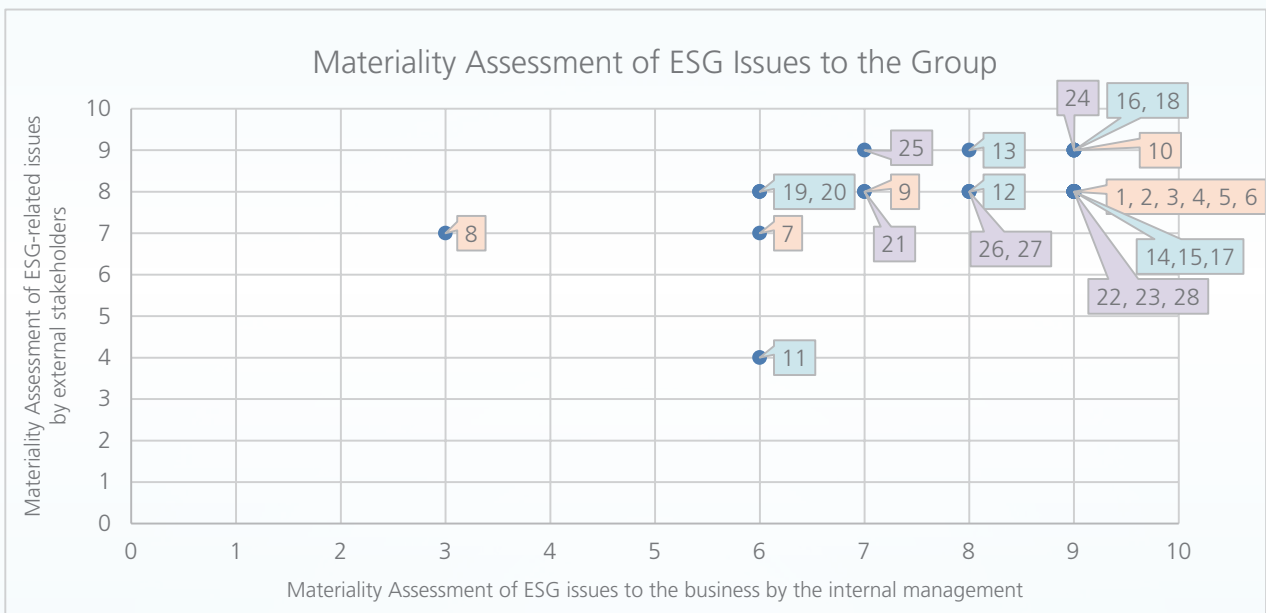
The Group actively seeks every opportunity to understand our stakeholders to ensure that our services are regularly improved. We firmly believe that our stakeholders play a crucial role in maintaining the success of our business. The following are the relevant issues involved with each stakeholder, as well as the channels for communication and feedback:

Stakeholders	Related Issues	Channels for Communication and Feedback
<b>Hong Kong Exchanges and Clearing Limited</b>	Comply with the listing rules and issue announcements or circulars in a timely and accurate manner as required	Participate in meetings, trainings, workshops, update the Company website and issue announcements
<b>Government Department</b>	Comply with laws and regulations, prevent tax evasion and tax dodging, ensure social welfare, cooperate with pandemic prevention requirements, and align with the government's development plans	Cooperate with government departments in regular patrol inspections, file tax returns accurately and on time, and maintain regular communication and feedback with the pandemic prevention department and the development department
<b>Supplier</b>	Stability of demand and supply, and provision of green products	Carry out business communication with suppliers, sign procurement contracts, maintain regular email and telephone contact, and carry out regular evaluations of suppliers
<b>Investor</b>	Corporate governance system, business strategy and performance, return on investment	Organize and participate in seminars and general meetings of shareholders, and provide financial reports or other operation reports to investors and analysts
<b>Investors' media and the public</b>	Corporate governance, environmental protection, human rights	Publish newsletters on the Company's website and social media platforms
<b>Customer</b>	Publishing communications on the Company's website and social media platforms	Regular communication within the business team, on-site inspections, and after-sales service
<b>Employee</b>	Rights and benefits, employee remuneration, training and development, working hours, working environment	Provide training for employees, carry out face-to-face interviews with employees, issue internal memorandums, and establish channels for collecting employee suggestions
<b>Community</b>	Community environment, employment and community development, social welfare	Develop community activities, employee volunteer activities, provide community welfare subsidies, and make charitable donations

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

During the reporting year, the Group carried out consultations in the form of questionnaires with internal and external stakeholders (including management, employees, customers, suppliers and other stakeholders) to identify and assess material ESG issues, and to determine their impacts on the Group’s business operations, environmental and social aspects. Taking into account the Group’s reporting scope, business characteristics and the feedback from various stakeholders, the Group has identified relevant material ESG issues and assessed them using a scoring system. The details are set out in the following figure and table:



NO.	ESG Issues	NO.	ESG Issues	NO.	ESG Issues
Environmental Issues:		Social Issues:		Operational Issues:	
1	Greenhouse gas emissions/Global warming	11	Cope with public health crisis events	21	Supply chain management
2	Exhaust gas emissions	12	Employees’ rights and interests and treatment	22	Customer satisfaction
3	Energy use	13	Inclusion, equal opportunities and anti – discrimination	23	Customer privacy
4	Water resource usage	14	Talent attraction and retention	24	Product quality and safety
5	Hazardous waste/wastewater	15	Occupational health and safety	25	Economic performance
6	Non – hazardous waste/wastewater	16	Training and development	26	Operational compliance
7	Paper use	17	Measures to prevent child labor and forced labor	27	Corporate governance
8	Forest damage caused by improper logging	18	Environmental protection	28	Anti – corruption
9	Use of raw materials and packaging materials	19	Community investment and participation		
10	Comply with the laws and regulations related to environmental protection	20	Labor standards in the supply chain		

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

After the investigation and assessment of the Group, since the production process of our business involves the use of resources and causes corresponding emissions, in terms of environmental issues, the issues related to compliance with laws and regulations on environmental protection are of relatively great importance to the Group. The Group 's business activities also involve a large number of workers and excellent employees. In terms of social issues, issues related to training and development and measures to prevent child labor and forced labor are relatively more important. In terms of operational issues, product quality and safety are relatively important issues.

We will be more proactive in maintaining communication with various stakeholders and collect their opinions through different channels for a more comprehensive analysis. Meanwhile, we will, as needed, revise the reporting principles of materiality, quantification, and consistency from time to time, so as to meet the reporting requirements and better align with the expectations of stakeholders regarding the content of ESG reports and information disclosure.

## STATEMENT OF BOARD OF DIRECTORS

### ESG Governance

The Board bears ultimate oversight responsibility for the Group's ESG strategy and reporting. Its core functions focus on providing strategic direction:

- **Strategy Approval:** Review and approve ESG and climate-related targets and action plans submitted by the management.
- **Framework Oversight:** Ensuring the Group has established appropriate risk management and internal control systems to address various material issues, including climate change.
- **Resources and Functions:** Receives recommendations regarding resource allocation and delegates responsibility for implementing specific measures to the management.
- **Capability Assessment:** Periodically evaluates the Board's overall professional composition to ensure the necessary diverse perspectives and professional judgment when overseeing climate-related risks and opportunities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Management and the ESG Working Group

The Group authorizes management to be responsible for the day-to-day decision-making and implementation of ESG matters. The ESG Working Group, led by management, assumes specific management responsibilities:

- Risk and opportunity identification: Responsible for the specific materiality assessment process, identifying ESG issues related to consumer goods manufacturing, as well as specific climate risks (such as supply chain resilience, fluctuations in raw material costs, and changes in environmental regulations).
- Policy implementation: Developing and implements specific environmental and social policies in accordance with the framework approved by the Board, and integrates them into the daily operations of each functional department.
- Monitoring and control: Responsible for the routine monitoring of climate and other ESG performance indicators, and for evaluating the effectiveness of response measures within the task force.
- Stakeholder communication: Leading daily communication with customers, suppliers, and employees to understand their expectations regarding the Group's sustainability performance.

## Functional Departments

Each functional department (such as R&D, production, supply chain, and administration) is responsible for carrying out operational-level tasks under the guidance of the ESG Working Group:

- Data governance: Responsible for collecting foundational data relevant to the department (such as energy consumption, raw material utilization rates, and product quality metrics) to ensure the accuracy of disclosed information.
- Implementation: Implementing energy conservation and emissions reduction measures on production lines, optimizing product packaging, and enforcing occupational health and safety protocols.
- Internal reporting: Providing regular feedback to the ESG Working Group on operational data and the status of policy implementation.

The Board continuously pays attention to ESG-related work and closely follows the latest ESG disclosure requirements and regulations of the Hong Kong Stock Exchange. The Board will also ensure close cooperation among various departments to achieve the targets of operational compliance and social responsibility. In addition, the Board will formulate clearer ESG targets for the Group in the future to better meet the expectations of stakeholders.

## Reporting Mechanisms and Compensation Assessment

The Board receives an annual progress report from management or the ESG Working Group to review the achievement of targets (such as waste reduction or production energy efficiency). Currently, the Group does not directly incorporate climate performance considerations into its management compensation policy.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE ACTUAL AND POTENTIAL IMPACTS OF ESG-RELATED RISKS ON THE GROUP

Given the nature of our business, we have not generated any significant emissions, waste or pollution. Nevertheless, we prioritize monitoring environmental and climate-related risks that may affect our business, strategy and financial performance. Under the supervision of the Board, we actively identify and monitor ESG-related risks and opportunities, and seek to integrate climate-related issues into our business, strategy and financial planning.

We regularly review and analyze the carbon emissions in our business operations, and continuously explore solutions to reduce carbon emissions. Based on the tracking and review of emission indicators, we actively take actions to reduce carbon emissions and disposal. Non-hazardous waste is handled by the property management in accordance with relevant regulations.

Our operations are required to comply with a number of environmental requirements stipulated by Chinese laws, including those related to air, water and solid waste pollution, as well as production and occupational safety protection regulations. We have identified the relevant environmental and social risks faced by the Group. The main risks and mitigation measures are set out below:

Environmental and Social Risks	The Possible Impacts and Consequences on the Group	Mitigation and Response Measures
<b>Policy Risk</b>	In accordance with the dual-carbon goals, the Chinese government has strictly controlled the energy consumption of manufacturing-industry enterprises. If we fail to effectively identify relevant environmental policies, laws and regulations and fail to effectively manage our own energy consumption, we will face the risk of being punished by regulatory authorities and even having our electricity supply cut off and production suspended, which will affect the continuous operation of the Group.	We will always keep an eye on the updates and changes of relevant policies. In addition, we have already taken corresponding measures in accordance with the national "dual carbon" strategy and the energy consumption control regulations of local governments, and will implement necessary energy management to improve the energy efficiency of production department.
<b>Pollution Risk</b>	The industrial waste generated during the production process of the Group includes hazardous waste and non-hazardous waste. If we fail to properly handle the relevant industrial waste, it will cause pollution to the environment.	We have carried out the recycling and separate storage of the industrial waste generated in our production process. The supervisor of our production department will also carry out regular inspections during the production process to prevent the illegal discharge of production waste.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Risks	The Possible Impacts and Consequences on the Group	Mitigation and Response Measures
<b>Production and Occupational Safety Risk</b>	Any act in violation of the “Work Safety Law of the People’s Republic of China” or other relevant laws and regulations regarding production and occupational safety may result in penalties imposed on the Group by relevant government departments, such as being ordered to make corrections, being fined, having production suspended for rectification, and having our business shut down.	The Board will be responsible for monitoring the revisions of relevant laws and regulations regarding production and occupational safety to ensure that the Group complies with these laws and regulations on production and occupational safety.
<b>Product Safety and Quality Risk</b>	If there are potential safety hazards, quality issues or exaggerated publicity in the products of the Group, it may affect the health and trust of consumers and the public, leading to product recalls, legal proceedings and damage to the brand.	We have established a quality management system, which includes formulating and implementing product quality standards, quality control requirements for the production process, etc., and have obtained the quality management system certification certificate. For defective products or products with quality problems, the Group will recall them all to prevent customers from using problematic products.
<b>Climate-related Risk</b>	Extreme weather conditions such as typhoons, heavy rains, severe cold and intense heat will, to some extent, affect the stability of our production, pose a threat to the safety of employees, and cause interruptions to our continuous operation. The main production bases of the Group are located in Jinjiang City and Shishi City, Fujian Province. The southeastern coastal area where Fujian Province is located is a common landing area for typhoons. Affected by geographical conditions, the frequent occurrence of typhoons will damage the stability of buildings such as warehouses and factories as well as the operation, and may lead to business interruptions. In addition, if the logistics and transportation of products are blocked due to sudden climate events, the Group will face economic losses.	To mitigate the impacts of climate-related risk, we have formulated measures to ensure safe and stable production under extreme weather conditions, and will continuously update these measures to maintain continuous operation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENT

Environmental protection should not be an issue that only governments and public welfare organizations are concerned about. The Group will also do everything we can to reduce the impact on the environment during the course of our business operations. Given that the business scope of the Group mainly focuses on the production of baby diapers, feminine care products, medical and health products, and household daily necessities, the purchased electricity will be used to drive the machinery in the factory for production activities during business operations. And we understand that the development of an enterprise should not be at the expense of the environment. Although the Group's business model does not result in a large amount of emissions of waste gas, greenhouse gases, or other types of waste, we are still committed to minimizing the harm that our corporate operations cause to the environment as much as possible. Energy conservation and emission reduction, promoting the development of the green market, and reducing the risks of climate change are the directions and key concerns for the development of global enterprises. As a responsible enterprise, the Group also tries to reduce resource consumption as much as possible, avoid causing damage to the environment, improve the efficiency of corporate energy and resource usage to save costs, promote sustainable development, and thus seize new green market opportunities.

In terms of environmental protection, the Group has always complied with relevant laws and regulations applicable to the Chinese mainland, including the "Environmental Protection Law of the People's Republic of China" and the "Energy Conservation Law of the People's Republic of China". During the reporting year, the Group did not find any major violations related to environmental issues, nor were there any situations where it was punished by local government regulatory authorities for matters such as environmental protection.

### A1. Emissions

#### *Air pollution emissions generated by fuel combustion*

The sources of air pollution emissions generated by the Group during its daily operations mainly come from the combustion of different types of fuels: 1) Petrol fuel consumed by vehicles used for daily transportation of employees or other business personnel; 2) Diesel fuel consumed by trucks used for transporting goods in factory and warehouse areas; and 3) Natural gas burned for production needs. The air pollutants emitted from the combustion of natural gas include nitrogen oxide (NOx), and the air pollutants emitted from the combustion of petrol and diesel fuels by vehicles include nitrogen oxide (NOx), sulfur oxide (SOx), and particulate matter (PM). Except for the above-mentioned fuels used by the Group, the production and operation processes of the Group do not involve the use of other fuels such as kerosene, charcoal, and coal gas.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting year, for the details of the air pollutants emitted by the Group due to fuel combustion, please refer to the following table:

Emission Sources	Air Pollutants	Unit	2025	2024
<b>Emissions from the Consumption of Gas Fuels</b>	Nitrogen Oxide (NOx)	kg	1,679.8	377.9
	Sulfur Oxide (SOx)	kg	0.8	0.4
	Particulate Matter (PM)	kg	26.17	13.2
<b>Total Emissions of Air</b>		kg	1,706.77	391.5
<b>Pollutants Density of Air Pollutant Emissions</b>		kg/RMB million revenue	1.57	0.5

In order to reduce the fuel consumption of vehicles, all the vehicles owned by the Group will undergo regular maintenance and inspections to ensure their normal operation and avoid additional fuel consumption caused by a decrease in fuel efficiency. Looking ahead, the Group will continue to carry out regular vehicle inspections and repairs, and encourage employees to use public transportation.

The Group will continuously implement the above measures, taking 2022 as the baseline, with the aim of maintaining the emission density of air pollutants generated by fuel combustion at a level similar to that in 2022 by the year 2026.

## *Greenhouse Gas Emissions*

The continuous emissions of greenhouse gases can cause serious damage to the environment. For instance, it will exacerbate global warming and lead to drastic climate changes, posing a huge threat to the global ecosystem. The greenhouse gas emissions generated during the daily operations of the Group mainly come from: 1) Direct greenhouse gas emissions resulting from production activities and vehicle usage; 2) The consumption of externally purchased electricity for the Group's operational activities; and 3) Indirect greenhouse gas emissions caused by various other business activities, such as the disposal of waste paper in landfills, the electricity used for treating drinking water and sewage, and employees traveling on business trips by airplane. According to the "Reporting Guidelines on Environmental Key Performance Indicators" issued by the Hong Kong Stock Exchange, greenhouse gas emissions can mainly be classified into the following three scopes:

- Scope 1: It covers the greenhouse gas emissions directly generated by the business owned or controlled by the Company. For instance, the greenhouse gases released from the combustion of fuels by stationary sources or mobile sources.
- Scope 2: It covers the "indirect energy" greenhouse gas emissions caused by the consumption of electricity, heat, refrigeration and steam within the Company. For instance, the greenhouse gas emissions related to externally purchased electricity and/or coal gas.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Scope 3: It covers all other indirect greenhouse gas emissions that occur incidentally to the Company, including upstream and downstream emissions. For instance, the methane generated from the disposal of waste paper in landfills, the electricity consumed by water utilities for treating fresh water and sewage, etc.

The greenhouse gas emissions of the Group calculated in terms of tonnes of carbon dioxide equivalent during the reporting year are set out below:

Scope	Sources of Greenhouse Gas Emissions	Unit	2025	2024
<b>Scope 1</b>	Direct greenhouse gas emissions generated by production activities	tCO <sub>2</sub> e	<b>1,696</b>	2,419
	Direct greenhouse gas emissions generated by vehicle usage	tCO <sub>2</sub> e	<b>133</b>	74
<b>Scope 2</b>	Indirect greenhouse gas emissions from energy consumption due to purchased electricity <sup>1</sup>	tCO <sub>2</sub> e	<b>19,874</b>	20,956
<b>Scope 3</b>	Waste paper disposed of in landfills	tCO <sub>2</sub> e	<b>13</b>	7
	Electricity consumed for treating drinking water and sewage <sup>2</sup>	tCO <sub>2</sub> e	<b>59</b>	67
	Employees traveling on business trips by airplane <sup>3</sup>	tCO <sub>2</sub> e	<b>83</b>	71
<b>Greenhouse Gas Emissions Data</b>				
<b>Total Greenhouse Gas Emissions</b>		tCO <sub>2</sub> e	<b>21,858</b>	23,594
<b>Greenhouse Gas Emissions Density</b>		tCO <sub>2</sub> e/RMB million revenue	<b>20</b>	31

1 Greenhouse gas emissions data are presented in carbon dioxide equivalents and are based on, among others, the "Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard" published by the World Resources Institute and the World Business Council for Sustainable Development, the "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Announcement on the Publication of CO<sub>2</sub> Emission Factors for Electricity in 2023" of the Ministry of Ecology and Environment of the PRC and the global warming potential values of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

2 According to the latest data released by the Water Supplies Department of Hong Kong for 2022/23 and 2023/24, the electricity consumption per unit for fresh water treatment in Hong Kong is 0.624 and 0.624 kWh respectively. According to the latest data released by the Drainage Services Department of Hong Kong for 2022/23 and 2023/24, the electricity consumption per unit for sewage treatment in Hong Kong is 311.05 MWh/million cubic meters and 311.04 MWh/million cubic meters respectively. Since it is rather difficult to obtain the relevant data from the Chinese mainland, the above data are set to be the same as those of Hong Kong.

3 The indirect greenhouse gas emissions from employees traveling on business trips by airplane are calculated in accordance with a set of methods formulated by the International Civil Aviation Organization, a specialized agency of the United Nations, regarding the carbon dioxide emissions generated during air journeys.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since there are no established statutory targets for the industry in which the Group operates, and peer companies in the industry adopt different density calculation methods, the greenhouse gas emissions density of the Group in 2025 cannot be compared with the industry's statutory targets or those of peer companies in the industry.

In order to reduce greenhouse gas emissions and improve the efficiency of natural gas usage, we purchased a "Dryer Waste Heat Recovery System" and put it into operation in June 2024 to achieve the recovery and usage of thermal energy. We rely on natural gas as a fuel to generate steam for our production process. By implementing this new system, we aim to reduce natural gas consumption by capturing and reusing the excess heat generated during the combustion of natural gas, ultimately achieving the goal of reducing greenhouse gas emissions. This initiative reflects our commitment to environmental responsibility and supports the global efforts to promote sustainable manufacturing practices, benefiting both our business and the environment. Since the installation of the "Dryer Waste Heat Recovery System", we have been fine-tuning it to optimize its performance. We have not yet collected data on the energy savings or greenhouse gas emissions reductions achieved through this system. However, we expect it to reduce our daily natural gas consumption by approximately 15%.

The Group is committed to reducing greenhouse gas emissions to minimize its impact on the environment. In order to reduce the direct emissions generated by vehicle usage, the Group encourages employees to commute and travel for work using public transportation instead of using their own or company vehicles. We have reminded employees to turn off unused electronic devices, such as air conditioning and lighting systems, before leaving the office. We have also requested the Administration Department to give priority to energy-efficient devices when purchasing public-use electronic products, aiming to reduce electricity consumption in all aspects.

In addition, the Group has taken feasible measures to reduce other indirect emissions. To minimize the disposal of waste paper, we encourage employees to put waste paper into designated recycling bins. In order to reduce the electricity consumption for treating drinking water and sewage, the Group encourages employees to save water in both production and daily life. Administrative and logistics staff regularly inspect faucets to ensure that there is no water leakage, which could lead to the waste of drinking water. Furthermore, to reduce the frequency of employees traveling on business trips by airplane, we encourage them to use video conferencing and online collaboration tools as alternatives, thereby reducing the need for employees to go on business trips.

The Group will continuously implement the above-mentioned measures, taking 2022 as the baseline, with the aim of maintaining the greenhouse gas emissions density at a level similar to that in 2022 by 2026.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Hazardous Waste Management*

In view of the fact that the raw materials and auxiliary materials involved in the Group's production mainly include non-woven fabrics, fluff pulp, superabsorbent polymers, various chemicals (such as polypropylene and high-density polyethylene), and packaging materials, we procure these environmentally non-toxic and harmless materials from suppliers. The raw materials and auxiliary materials used in the Group's production do not involve hazardous chemicals. Although these materials do not generate a large amount of hazardous waste, our production process will produce organic waste gases and fumes.

In order to mitigate the environmental impact of these emissions, we have installed filters with activated carbon filter layers in our production facilities. These filters can effectively adsorb the organic waste gases and fumes released during the production process. In addition, lubricating oil and oily waste will be generated during the daily maintenance of the machines. To address this problem, we collect these substances in designated oil drums and store them separately. The Group is committed to environmentally responsible practices and will hire qualified third-party recyclers to properly manage these hazardous wastes.

The filters we installed are capable of effectively adsorbing the organic waste gases and fumes released during the production process. Therefore, before the activated carbon filters reach the saturation state, the organic waste gases and production fumes will be effectively adsorbed and will not be directly discharged into the air. Our engineers are responsible for daily checking the saturation level of the activated carbon filters and replacing them as needed. We will start collecting data on these harmful gases and disclose such information accordingly.

In respect of the lubricating oil and oily waste generated during the daily maintenance of the machines, we understand that directly discarding these materials will cause serious environmental damage. We only store these substances in dedicated oil drums, and during the reporting year, we did not hire any third-party professional disposal agency to handle these lubricating oil and oily waste. Nevertheless, when disposing of these lubricants and oil-contaminated waste, we will engage a qualified third-party professional organization to handle the recycling, ensuring that these hazardous materials are recycled, treated or disposed of in accordance with applicable regulations to prevent environmental pollution. Looking ahead, we will hire relevant qualified third-party agencies at the appropriate time to handle the lubricating oil and oily waste, and disclose the recycling data of these materials according to the records provided by the professional disposal agencies. In addition, we will regularly train our employees to enhance their awareness of waste classification and management, ensuring compliance with environmental regulations and fulfilling our corporate social responsibilities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Non-hazardous Waste Management*

The non-hazardous waste generated during the daily operation of the Group mainly comes from the printing paper used in daily business and the waste generated from production and sales activities (including non-woven fabric scraps, fluff pulp, superabsorbent polymers, polypropylene, high-density polyethylene, and packaging materials such as plastic films, cardboard, adhesive tapes, cartons, packaging bags, and packaging films). Although certain relevant data for the reporting year could not be collected, the Group is committed to strengthening its data collection mechanisms in the future to improve its disclosures. The details of the non-hazardous waste are set out below:

<b>Data on the Disposal of Non-Hazardous Waste Emission Source</b>	<b>Unit</b>	<b>The Amount of Non-Hazardous Waste Generated In 2025</b>	<b>The Amount of Non-Hazardous Waste Generated In 2024</b>
<b>Paper</b>	ton	<b>2.6</b>	1.5
<b>The Total Amount of Non-Hazardous Waste Disposed Of</b>	ton	<b>2.6</b>	1.5
<b>Density of Non – Hazardous Waste Generation</b>	ton/RMB million revenue	<b>0.002</b>	0.002

During the reporting year, the data on the disposal of non-hazardous waste we counted mainly came from the paper used in daily office operations. The Group has implemented corresponding management measures for the above-mentioned non-hazardous waste. In addition, waste is also generated during our production process. However, we have not yet collected data on the waste generated from production and sales activities, so we were unable to disclose the relevant data for the reporting year. The Group has classified the collection of relevant non-hazardous waste and carried out the scrapping process by ourselves.

To reduce paper consumption, the Group encourages employees to use less paper. This includes using double-sided printing or handling daily documents through electronic documents. Meanwhile, we also encourage employees to collect recyclable waste paper for recycling purposes. The Group will also regularly monitor and review the internal daily business processes, aiming to replace unnecessary paper documents with electronic documents so as to reduce paper consumption.

Looking ahead, by continuously implementing the above measures and taking 2022 as the baseline, the Group aims to maintain the density of non-hazardous waste generation at a level similar to that of 2022 before 2026.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A2. Resource Usage

The Group understands that in order to reduce the carbon footprint, it is necessary to start from the source. In addition to encouraging employees to avoid wasting water and electricity and reducing the use of public resources such as paper in their daily work, we are also committed to improving energy efficiency. We advocate for resource conservation and aim to enhance the efficiency of energy and resource usage. Since electricity and water are the main resources consumed by the Group, we attach great importance to the effective use of these resources. We ensure that there is no waste of resources in our daily operations. Meanwhile, we strengthen efforts to raise the awareness of resource conservation among all employees.

### *Energy Consumption*

The direct energy consumption of the Group mainly comes from the petrol and diesel required for vehicle driving, as well as the natural gas burned in production activities. The indirect energy consumption mainly comes from the consumption of externally purchased electricity. The details of the Group's energy consumption during the reporting year are set out below:

Energy Types	Energy	Unit	2025	2024
Direct Energy	Diesel	MWh	209	186
	Petrol	MWh	294	105
	Natural Gas	MWh	8,391	5,823
Indirect Energy	Electricity	MWh	40,095	36,746
Total Consumption of Energy		MWh	48,989	42,860
Energy Consumption Density		MWh/RMB million revenue	45	57

In order to reduce energy consumption, mainly in the form of electrical energy, the Group has reminded employees to turn off unused electronic devices such as air conditioners and lighting systems before leaving the office. We have also required the Administrative Department to give priority to energy-efficient equipment when purchasing public electronic products, with the aim of reducing electricity consumption in all aspects.

The Group will continue to promote the message of energy conservation among all employees and post slogans in the office to remind them to reduce electricity consumption. In future operations, we will also continuously monitor the electricity consumption in the office, aiming to maintain the energy consumption density at a level similar to that of 2022 before 2026.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Water Resource Consumption*

The consumption of water resources has always been an environmental protection issue of global concern. Cherishing water resources is also one of the important goals of the Group. The water resources used by the Group are mainly domestic water for the production bases, offices and employee dormitories located in Jinjiang City and Shishi City, Fujian Province. The details of the Group's water resource consumption during the reporting year are set out below:

<b>Water Resource Consumption</b>	<b>Unit</b>	<b>2025</b>	2024
Total Consumption of Water Resource	m <sup>3</sup>	<b>128,062</b>	103,002
Density of Water Resource Consumption	m <sup>3</sup> /RMB million revenue	<b>118</b>	137

In terms of measures to reduce water consumption, the Group encourages employees to save water in both production and daily life. This measure can not only reduce the consumption of water resources but also lower the electricity consumption generated during water supply. The administrative and logistics staff of the Group will regularly inspect the faucets to ensure that there is no water leakage causing the waste of tap water. During the reporting year, the Group did not encounter any problem in obtaining water sources.

Since there are no statutory targets established for the industry in which the Group operates, and peer companies in the industry adopt different density calculation methods, the water resource consumption density of the Group in 2025 cannot be compared with the industry's statutory targets or those of peer companies in the industry.

Looking ahead, we will continue to encourage employees to save water to minimize waste. By continuously implementing the above measures and taking 2022 as the baseline, we aim to maintain the water consumption density at a level similar to that in 2022 before 2026.

## *Packaging Materials*

The packaging materials we currently use include plastic films, cardboard, adhesive tapes, cartons, packaging bags, and packaging membranes, etc. In 2025, we used approximately 5,219.35 tonnes of packaging materials in total, and the usage density of packaging materials was 4.80 tonnes per RMB million revenue.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A3. Environment and Natural Resources

The resources and energy consumed by the Group due to its main business activities are mainly water, electricity, diesel and petrol. The pollution to the environment caused by business activities mainly consists of the emissions of a small amount of air pollutants and greenhouse gases. The management of the Group will play a supervisory role in the daily business operations of the Group. They will remind and encourage all employees to implement the Group's energy conservation and emission reduction measures, enhance the environmental awareness of all employees, promptly propose rectification for resource-wasting behaviors, and avoid unnecessary resource consumption, so as to reduce the impact on environmental damage.

In addition, the Group has obtained the ISO 14001:2015 Environmental Management System certification awarded by the International Organization for Standardization (ISO). The scope of the certification covers the production and sales of sanitary napkins, panty liners, diapers, urine pads, wet wipes, and tissues within the permitted range. In the future, the Group will continuously manage and reduce environmental risks effectively in accordance with the content and requirements of ISO 14001:2015. We will pay more attention to issues such as environmental pollution, low resource usage efficiency, improper waste management, climate change, ecosystem deterioration, and loss of biodiversity. We will strive to become an environmentally responsible enterprise and achieve the goal of sustainable development.

Looking ahead, the Group will continuously pay attention to relevant regulations and standards regarding chemical management, phase out and update the chemicals used in the production process to ensure the safety of our products and be accountable to consumers.

In respect of the "materiality" impact criteria of the business activities identified in the ESG Report on the environment and natural resources, including relevant contents such as the Statement of Board of Directors, the application of the "reporting principles", and the description of the reporting scope, please refer to the sections of "About the Environmental, Social and Governance Report" and the "Statement of Board of Directors".

## A4. Climate Change

In active response to the national "carbon peak and carbon neutrality" strategy, the Company, as a leading manufacturer of daily consumer goods, comprehensively evaluates the impacts of climate change across research, development, production, and sales. We are committed to embedding environmental responsibility into product life cycle management, addressing both physical and transition risks in our operations, and gradually incorporating greenhouse gas performance into supplier assessments – jointly driving low-carbon transformation throughout the value chain.

### *Phased Implementation of Climate-related Disclosures*

The Group strictly adheres to the provisions of Part D of the Hong Kong Stock Exchange's "Environmental, Social and Governance Reporting Code". During the reporting period, while maintaining high transparency in disclosures on governance and risk management, we applied specific disclosure exemptions for certain quantitative indicators to ensure the accuracy and relevance of the information presented.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Application of Relief Provisions*

The Group has adopted the following reliefs permitted by the Stock Exchange:

- Financial Impact Relief: At this stage, qualitative assessments of climate impacts are provided, and specific quantitative financial data is not disclosed.
- Capability Relief: Given the current resource allocation, we assess climate resilience through qualitative scenario analysis rather than employing complex financial modelling.
- Reasonable Information Relief: Data related to Category 3 (value chain) will not be disclosed this year due to the involvement of numerous raw material suppliers and the high cost of data acquisition.

## *Considerations for Phased Disclosure*

The Group's current reporting system primarily focuses on operational performance. The existing internal accounting and data collection framework cannot yet accurately separate specific climate-related financial expenditures for external assurance. Furthermore, we prioritize ensuring the accuracy of Scope 1 and Scope 2 emission data at this stage. Once the foundation is solid, we will expand the reporting scope to more complex Scope 3 disclosures or quantified financial forecasts.

## *Roadmap*

Phase 1 (Short-term): Monitor the evolution of industry carbon accounting standards, and comprehensively review data collection processes at factories and warehouses.

Phase 2 (Medium-term): Assess the feasibility of integrating climate indicators into the ERP system and explore the communication of carbon footprint data with key raw material suppliers (e.g., wood pulp and polymer material suppliers).

Ongoing Progress: Regularly assess technical capabilities to determine the optimal timing for transitioning to quantitative financial disclosures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Strategy

The Group pays close attention to national environmental policies and industry sustainability trends, integrating climate change considerations into its long-term operations. By combining the external environment, industry dynamics, and the development strategy of the Group, we have identified climate-related issues in R&D and production of daily consumer goods, aiming to enhance resilience against environmental challenges.

To assess potential physical and transformational risks to our business, the Group conducted preliminary scenario analysis with reference to Shared Socio-Economic Pathways (SSP1-1.9 and SSP5-8.5) by the Intergovernmental Panel on Climate Change (IPCC). By understanding the potential impacts of different global warming scenarios on the environment and policies, we attempted to identify potential risk points in our business processes and evaluate the potential disruption to production operations, strategic planning, and financial performance.

Based on the analysis results, the Group has formulated corresponding response guidelines and strategies to gradually enhance its adaptability under different climate scenarios, thereby safeguarding the Group's continued operating capacity and business resilience.

Climate Scenario	Low-Risk Scenario SSP 1-1.9	High-Risk Scenario SSP 5-8.5
Scenario Description	<ul style="list-style-type: none"> <li>Globally rapid phase-out of fossil fuels, achieving global net-zero CO<sub>2</sub> emissions around 2050. Renewable energy becomes mainstream, accompanied by widespread electrification.</li> <li>Large-scale afforestation.</li> <li>Accelerated R&amp;D and application of low-carbon technologies, including energy storage, hydrogen, and carbon capture and storage.</li> <li>Establishment of extensive global cooperation mechanisms, implementation of strict and effective climate policies, and guiding consumer behaviour towards low-carbon alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>Reliance on abundant and globally interconnected fossil fuel resources.</li> <li>Active promotion of technological innovation, with a primary focus on energy extraction and consumption efficiency rather than low-carbon alternatives.</li> <li>Absence of effective global carbon pricing mechanisms or stringent international climate agreements.</li> <li>Narrowing global income disparities and increasing investment in human capital.</li> </ul>
Estimated Temperature Increase	Temperature rise below 2°C by 2100	Temperature rise of 4.4°C by 2100

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table details the main climate change-related physical and transition risks and opportunities identified, their potential impacts, the timeframe of impact on the Group's operations, and the Group's response measures:

<b>Risk Type</b>	<b>Risk Factor</b>	<b>Timeframe<sup>1</sup></b>	<b>Risk Description</b>	<b>Response Measures</b>
Physical Climate Risk	Acute: Typhoons, Flooding	Short-term to Medium-term	Extreme weather may damage production lines and automated equipment; and cause logistics disruptions, affecting the supply of raw materials (e.g., wood pulp, non-woven fabric) and delivery of finished products.	Optimize warehouse layouts to reduce the risk of a single warehouse being affected by disasters; strengthen flood prevention and drainage facilities at factories and improve emergency power supply planning.
	Chronic: Extreme Heat	Medium-term to Long-term	Persistent high temperatures increase the power load and operating costs for factory cooling and ventilation systems, and may affect the health and productivity of frontline production staff.	Gradually replace with energy-efficient air conditioning systems and LED lighting; enhance heatstroke prevention and cooling measures in workshops, and ensure occupational health and safety.
	Chronic risks: Resource Supply Instability (e.g., Water Resources/ Timber)	Medium-term to Long-term	Climate change may affect the output and price of raw materials (e.g., wood pulp, cotton fibre) in their production areas, leading to significant fluctuations in procurement costs. In addition, certain production processes that require substantial water usage could face higher water expenses or temporary restrictions in the event of shortages.	Establish long-term strategic partnerships with suppliers, to diversify raw material sources and mitigate climate risks in a single region; actively develop alternative raw materials; and promote water conservation and water recycling technologies in factories to enhance resource utilization efficiency.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk Type	Risk Factor	Timeframe <sup>1</sup>	Risk Description	Response Measures
Transition Risk	Policy & Regulation: Tightening Plastic Reduction and Environmental Policies	Short-term to Medium-term	Government regulations on single-use plastic packaging and non-biodegradable materials are becoming increasingly stringent; failure to promptly adjust product packaging or increase the proportion of biodegradable materials may result in rising compliance costs, environmental taxes, or restricted market access.	Continuously monitor environmental regulations; increase R&D investment in degradable materials (e.g., bio-based plastics) and simplified packaging; conduct regular carbon inventories; incorporate environmental indicators into supplier selection systems.
	Technology & Market: Energy Transition & Low-Carbon Production	Medium-term to Long-term	The global low-carbon transition has led to fossil fuel price volatility, significantly increasing manufacturing and transportation costs. Without actively adopting automated energy-saving technologies or low-consumption equipment, the Group may face lower production efficiency and a competitive disadvantage from higher carbon footprints per unit of product.	We have formulated an equipment replacement plan, gradually introducing smart energy management systems to precisely control energy use. We are also optimizing production processes to improve raw material conversion rates and exploring carbon-reduction pathways in manufacturing, ensuring alignment with industry low-carbon trends.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Opportunity Type	Timeframe	Opportunity Description	Response Measures
Policy & Market Opportunity	Medium-term to Long-term	Consumer demand for low-carbon, environmentally friendly, and sustainably certified (e.g., FSC) products like diapers and personal care items continues to rise. This provides the Group with opportunities for product upgrades and brand premium, facilitating market expansion into premium and environmentally demanding overseas markets.	The Group will actively assess the feasibility of developing eco-friendly products and optimise the carbon performance of the entire product life cycle. By pursuing green labels or low-carbon certifications, we aim to strengthen market recognition, while collaborating with downstream retail partners to promote sustainable consumption and build a greener supply chain.

*Note:*

1. The timeframe refers to the period during which climate-related risks may potentially affect the Group's operations. Short-term is defined as 1 to 3 years, medium-term as 3 to 5 years, and long-term as 5 to 10 years.\*

*Risk Management*

Integration Mechanism for Climate Risks

The Group has incorporated climate-related risks and opportunities into its enterprise risk management system and daily operational processes. Management has been delegated the responsibility for identifying and assessing sustainability-related issues and implementing proactive preventive measures. We are committed to integrating climate considerations into business development, major business decision-making, and approval processes to ensure the Group can maintain production stability and business resilience in a constantly changing environment.

Preliminary Application of Scenario Analysis

As mentioned in the "Strategy" section, the Group conducted climate scenario analysis for the first time in 2025, referencing the IPCC's Shared Socioeconomic Pathways (SSP1-1.9 and SSP5-8.5). By comparing low-carbon transition and high-emission scenarios, we further identified potential physical risks (e.g., disruption of production lines and supply chains by extreme weather) and transition risks (e.g., changes in environmental policies and raw material costs), providing a scientific basis for risk assessment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Method for Determining Risk Priorities

The Group applies a unified risk assessment matrix, ranking climate risks according to their “likelihood of occurrence” and “potential impact”. Currently, climate risks are rated as a lower priority compared to direct risks such as operational, financial, and regulatory compliance. This assessment is based on the currently evaluated potential financial impact, which is not significant. Nonetheless, the Group continuously monitors climate risk developments through ongoing surveillance mechanisms to dynamically adjust its priority level when necessary.

## Changes from Previous Reporting Period

The primary change for the Group in this reporting period is the initial introduction of climate scenario analysis to optimise the risk identification process. Apart from this, the Group’s overall risk management framework remains consistent with previous reporting periods, with no other significant changes.

## *Metrics and targets*

### Greenhouse Gas Emissions Disclosure and Measurement

For specific disclosure data on the Group’s greenhouse gas emissions (Scopes 1, 2, and 3), the calculation methodology, relevant parameters, and assumptions, please refer to the “Greenhouse Gas Emissions” section of this report. The Group has established a basic carbon data collection process and is committed to ensuring transparency and accuracy in its core operational data.

### Internal Carbon Pricing

The Group currently has not yet adopted an “internal carbon pricing” mechanism within its internal operations or decision-making processes. The Board and management currently prioritise improvements in production line efficiency and the implementation of energy-saving and emission reduction measures. We will continue to monitor international market trends and domestic policy developments to assess the feasibility of introducing internal carbon pricing tools in the future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Climate-related Targets and Progress

Based on its business development stage and emission reduction potential, the Group has established preliminary environmental indicators. We are committed to gradually reducing the carbon intensity per unit of product by enhancing automated production efficiency and optimising packaging design.

Regarding the climate-related targets set above, the Group provides the following clarification:

**Target Verification:** The emission reduction targets and performance indicators disclosed this year have not undergone independent verification by a third-party organisation. The relevant data is based on the Group's internal statistics and preliminary calculations, intended to provide stakeholders with a preliminary reference for the Group's carbon reduction efforts.

**Future Planning:** As the data management system continues to improve, the Group will consider introducing external verification procedures at an appropriate time in the future to further enhance the credibility of our indicators.

## Other Climate-related Indicators

In addition to greenhouse gas emissions, the Group monitors other operational indicators relevant to climate risk management, including but not limited to:

- **Energy Consumption Structure:** Electricity and fuel consumption during the production process.
- **Resource Efficiency:** Control of raw material (e.g., wood pulp, non-woven fabric) consumption and performance of packaging material reduction.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL ASPECT

### B1. Employment

Employees are one of the most important assets of the Group, and the Group equally values the contributions made by all employees to the business development of the Group. We believe that good communication with employees can enable better implementation of corporate strategies and achievement of corporate goals.

The Group has formulated the “Human Resources and Salary Management System” and requires all employees to comply with the various regulations therein, including but not limited to human resources planning and budgeting, salary composition, adjustment, and distribution, etc. In addition, the Group has also prepared an “Employee Handbook”, which includes our corporate philosophy, mission, and vision. The “Employee Handbook” also covers new employee onboarding and regularization procedures, attendance management system, leave system, company benefits, employment and separation management system, training system, workshop code of conduct, prevention and handling of work-related injuries, public security and security, and dormitory management, etc. The Group will distribute the “Employee Handbook” to all newly hired employees and provide onboarding training, which also includes explaining the “Employee Code of Conduct” to new employees, aiming to ensure that all employees have a clear understanding of the rules and regulations of the Group and strictly abide by the relevant systems and regulations.

#### *Our Employees*

When the Group hires new employees, it will refer to the previous work performance of the applicants and carry out recruitment in accordance with the principles of academic qualifications, moral character, ability, experience, physical fitness, and suitability for the position or work. Applicants will first undergo an initial interview by the supervisor of our Human Resources Department. After assessment, the person in charge of the relevant department and the competent leader will carry out phased interviews and written examinations for the applicants, evaluating the applicants’ communication skills, analytical skills, work experience, professional knowledge, development potential, and their recognition of our corporate culture according to the job position, to ensure that the applicants’ abilities in all aspects meet the requirements of the relevant job positions. In addition, when the Group evaluates applicants, there will be no biased or unfair treatment due to their gender, sexual orientation, age, ethnic or racial origin, family status, or other personal characteristics. The Group attaches great importance to providing equal opportunities for all employees and the diversity of employees. We are committed to creating a healthy, safe, harmonious, and inclusive working environment. We will continue to promote the construction of the talent team, strengthen employee training, and enhance employees’ abilities and values.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2025, the Group has a total of 385 employees. Except for 3 employees from Macau, all the other employees are hired from the Chinese mainland. The male-to-female rate of our employees is approximately 1:1, and they are also distributed across various age groups. As of 31 December 2025, the number of male and female employees in the Group as well as the number of employees in different age groups, are set out below:

Gender Distribution	Number of Employees	Age Group Distribution	Number of Employees
Male	193	Aged 18 to 25	79
		Aged 26 to 35	184
		Aged 36 to 45	96
		Aged 46 to 55	21
Female	192	Aged 56 to 65	5
		Aged over 65	–

In addition, all employees of the Group are employed on the basis of fixed-term contracts.

### *Employee Benefits*

The Group is committed to providing all employees with competitive salary and benefits. We believe that a good and reasonable salary and benefits can have a positive impact on employees' enthusiasm and initiative, motivating them to actively explore their own potential and continuously improve themselves. The welfare benefits provided by the Group to employees include but are not limited to: 1) Providing an attendance bonus. Employees who have no leave of absence, no absenteeism, and whose cumulative number of lateness/early departures in a month does not exceed 3 times, with a cumulative duration of no more than 30 minutes, are eligible for the attendance bonus; 2) Providing free dormitories for employees in need.

The Group will strictly comply with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Regulations on the Administration of Housing Provident Funds", and other relevant laws and regulations to ensure that employees enjoy their due welfare and benefits.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Work-life Balance*

The Group understands that only with good rest can employees continuously devote themselves to work. In order to enable all employees to achieve a balance between work and life, we have formulated corresponding internal policies to assist employees in achieving this balance. The Group adopts the standard working hour system. In case of special circumstances or to meet production needs, which result in employees having to work overtime, we will obtain the employees' consent in advance before requiring them to work overtime during non-working hours, on public holidays or during legal festivals. In addition, we also promise that employees are entitled to the legal holidays stipulated by the state during their employment. Besides the weekly rest days and national legal festivals, employees are also entitled to special leaves such as annual leave, marriage leave, maternity leave and bereavement leave, etc., to ensure that employees have sufficient time for a balance between work and life and their rights to take leave are protected. We also provide employees with facilities including a cafeteria and dormitories to facilitate employees in solving their accommodation and dining problems.

In 2025, the monthly average employee turnover rate of the Group was approximately 2.0%. When segmented by age groups, the monthly average employee turnover rate was approximately 1.9% for those aged 18 to 25, 2.2% for those aged 26 to 35, 1.4% for those aged 36 to 45, 2.2% for those aged 46 to 55, and 5.0% for those aged 56 to 65. When segmented by gender, the monthly average employee turnover rate was approximately 1.9% for males and 2.1% for females.

## **B2. Health and Safety**

### *Work Safety*

The Group has always believed that the health and safety of employees are always our key concerns. The Group aims to provide all employees with a safe, hygienic and healthy working environment. When carrying out production work, the principle of "safety first, prevention first" must be implemented. Moreover, supervisors at all levels are also required to adhere to the principle of "managing production must also manage safety", so that production activities meet the requirements of safety, in order to achieve safe production and civilized production.

We have established a set of "Safety Production Management System" and "Production Workshop Management System", which specify the requirements and precautions that employees need to abide by during working hours in the production workshop, factory area and office area. The relevant policies provide work guidelines for our employees, including requirements for safe production operations, personal and product protection management, and fire safety measures, etc., with the aim of reducing potential accidents and lowering safety risks. We require all employees to strictly implement our safety policies during daily production activities. In addition, we will also provide labor protection supplies for all employees to ensure that employees in production positions have sufficient protective equipment available for use during production work, thereby promoting the safety, health and hygiene of the working environment facilities.

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In addition, we have established a set of “Regulations on the Management of Medical Treatment for Emergency Work – related Injury Accidents”, which specifies the emergency response mechanisms and handling plans for different types of emergency incidents, including poisoning, burns, cuts, bruises, illnesses and electric shocks, so as to minimize the impact of accidents on the lives and properties of the Group’s employees and ensure the health, lives and property safety of employees.

### *Fire Prevention*

We also attach great importance to the work safety and the awareness of fire escape and prevention among workers in the production workshop. We have posted slogans on work safety publicity and escape routes in the production workshop, factory area and office area. We have also installed safety facilities such as safety exit signs, fire suppression systems and fire extinguishers in the passages. In respect of the fire prevention and safety precautions in the production workshop, factory area and office area, the Group has also established corresponding requirements:

1. The fire passage should be kept unobstructed. It is strictly prohibited to occupy the fire passage for stacking any items or placing obstacles that may affect evacuation;
2. It is strictly prohibited to block or cover the fire safety evacuation indication signs. The signs must be complete, clear, eye-catching and easily visible;
3. It is strictly prohibited to lock the safety exits during working hours;
4. It is strictly prohibited to smoke in all places where smoking is expressly prohibited, such as the production workshop, factory area, and office area;
5. It is strictly prohibited to carry out open fire operations without permission. If open fire operations are indeed necessary, approval procedures must be handled in advance, fire-fighting equipment must be equipped, and protective measures must be taken. The open fire operation area and the working area should be fireproof separated;
6. It is strictly prohibited for employees to privately pull electrical wires. It is also strictly prohibited to use high-power electrical equipment such as electric stoves and rice cookers and gas equipment in the dormitory;
7. Designated storage places should be set up for flammable and explosive hazardous materials, and they should be kept away from sources of fire;
8. High-voltage lines must be erected strictly in accordance with the regulations, and there must be obvious warning signs in high-voltage power distribution places;
9. Each floor of the Company’s buildings should have at least two evacuation exits, and there must be eye-catching signs (such as safety exits) at the exits;
10. Each floor should be equipped with a fire alarm bell, and there should be emergency lights above the exits and stairwells for use in case of emergencies, to ensure that employees can evacuate quickly in case of a fire or other emergencies.

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The areas where fires are likely to occur are mainly affected by human factors in the office area, production workshop, warehouse and other regions. In order to eliminate fire hazards and create a safe working environment, when our factory area carries out the layout planning and architectural design, the Group strictly complies with the relevant regulations of the "Code for Fire Fighting Design of Buildings": Fire passages are set up surrounding each single building. Necessary fire alarm and fire-fighting facilities are installed in the factory office building, production workshop, warehouse, etc. in accordance with the "Code for Fire Fighting Design of Buildings". The Group has established a fire-fighting safety team, which is responsible for regularly inspecting fire-fighting facilities, equipment and fire passages, so as to promptly detect and rectify fire hazards.

In addition, the Group organizes all employees to participate in fire-fighting drills every year. By involving employees in these fire-fighting drills, they can become familiar with the fire escape procedures, enabling them to maximize their own safety in the event of a fire.



Schematic Diagram of Emergency Evacuation in the Warehouse



Announcement Board of Work Safety Risks in the Workshop



Fire Fighting Drill



Fire Fighting Equipment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Prevention and Management of Employee Work – related Injuries*

If any employee of the Group is injured at work, we will provide work-related injury benefits to the injured employee in accordance with relevant national regulations. The Group will also provide sufficient work-related injury leave for employees to have adequate rest and rehabilitation. We have taken effective preventive measures to reduce the occurrence of work-related injury accidents, including but not limited to providing regular safety training and education to employees to ensure that they understand and comply with safety rules and regulations. We will also provide employees with all necessary personal protective equipment, carry out regular safety inspections of fire-fighting equipment and the workplace, identify and promptly repair equipment failures and hazardous points, etc. In the unfortunate event of a safety accident resulting in employee injury, we have also established a sound accident reporting and recording procedure. On-site personnel should report any work-related injury accidents or potential hazardous situations to our Administrative Department and provide a detailed description of the accident. We will record and investigate work-related injury accidents in real time, understand the causes of the accidents, and take necessary improvement measures to prevent similar accidents from happening again.

After an employee suffers a work-related injury accident, they should submit a work-related injury declaration to the Group and provide necessary supporting documents and medical documents. The personnel of the Group's Human Resources Department will assist the employee in handling the procedures for work-related injury identification and provide the injured employee with legal work-related injury compensation, including medical expenses, work-related injury allowances, disability compensation, etc. For the injured employees, the Group actively supports their rehabilitation and reinstatement, enabling them to regain their work ability as soon as possible and return to their jobs smoothly.

In 2025, the Group recorded a total of 60 working days lost due to work-related injuries. In the years of 2023, 2024 and 2025, the Group did not record any cases of death due to work-related injuries. The Group promises to continuously provide a healthy and safe working environment for employees in the future.

### **B3. Development and Training**

The progress of employees is indispensable to the sustainable development of the Group. Therefore, the Group encourages employees to keep learning and enriching themselves, and we will also provide employees with sufficient and effective training on a regular basis.

All newly recruited employees are required to undergo a probationary period of three months and complete the probationary assessment before the expiration of the probationary period. The department heads will also provide timely suggestions and feedback based on the employees' performance to ensure that their capabilities and performance meet the Company's standards.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We will also provide internal and external training to employees from time to time to enhance their work capabilities. The training content includes but is not limited to environmental protection regulations, occupational health and safety, and product quality management, etc. All newly hired employees are required to receive necessary pre-job skills training, and the department heads will guide the new employees to quickly get familiar with the business content and operation procedures. The onboarding training also includes explaining the employee handbook to new employees, such as the personnel system and the safety production system, etc., so that employees can more easily integrate into and adapt to the new working environment. After the completion of each training course, the Group will collect the feedback from each employee, improve and deepen the training content to maximize the training effectiveness.

In 2025, a total of 305 participants in the Group received approximately 1,230 hours of training, accounting for 79% of the total number of employees in the Group. In terms of gender, the percentage of male participants who received training amounted to 80.8%, and that of female participants was 77.6%. In terms of employment levels, the percentage of ordinary employees who received training was 78.1%, that of middle-level management was 95.7%, and that of senior management was 80.0%.

On the other hand, in 2025, in terms of gender, the average training hours for male participants were 2.7 hours, while those for female participants were 3.6 hours. In terms of participants levels, the average training hours for ordinary employees were 3.0 hours, for middle-level management were 3.9 hours, and for senior management were 7.0 hours.

Looking ahead, the Group will continue to invest more resources in employee training and development. This is aimed at enhancing employees' awareness of environmental protection regulations, occupational health and safety, and other related matters, as well as improving their job-specific skills. By doing so, we can ensure that their capabilities and performance meet the Company's requirements.

#### **B4. Labor Standards**

The Group attaches great importance to human rights and strictly complies with relevant labor laws and regulations. We promise that we will not hire any child labor in any form, nor will we engage in any acts of forced labor. When hiring new employees, the personnel of the Human Resources Department are responsible for reviewing the identity documents of the applicants to ensure that the applicants meet the working age requirements. This is to prevent the occurrence of situations such as the employment of child labor and forced labor. During the reporting year, there were no labor disputes within the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B5. Supply Chain Management

For the baby diapers and other related products produced and sold by the Group, all production materials, including raw materials, auxiliary materials, and packaging materials, etc., are procured from our suppliers. Therefore, we attach great importance to the product quality management and performance evaluation of our suppliers. As of 31 December 2025, the Group has cooperated with 365 suppliers. Most of the suppliers are from the Chinese mainland, while a small number of suppliers are from other regions, including Hong Kong, Taiwan, Japan, and the United States. We have set strict evaluation criteria for supplier selection. Suppliers need to go through our assessment and evaluation first, and we will only purchase services or products from them after they pass the evaluation. All suppliers providing raw and auxiliary materials must have complete licenses and legal certificates for product production.

In order to effectively manage suppliers and monitor procurement activities, the Group has formulated the "Procurement Management System" and the "Supplier Evaluation Management Criteria". The Procurement Department of the Group is responsible for coordinating procurement activities and selecting suppliers. In principle, for all procurement businesses, it is necessary to compare the offers of at least three suppliers. The Procurement Department of the Group evaluates suppliers based on various aspects, including but not limited to the overall business operation of the suppliers, product quality, performance records, financial status, and the ability to meet our quality standards and requirements. In addition, we will also consider whether the materials provided by the suppliers are non-toxic and environmentally friendly. To ensure this, we have established a new supplier evaluation mechanism and a regular supplier evaluation process. The new supplier evaluation mechanism is designed to comprehensively evaluate new suppliers to confirm their compliance with our requirements, while the regular supplier evaluation mechanism ensures that existing suppliers continue to meet our standards every year. When selecting suppliers, the procurement team will evaluate factors such as product quality, service, qualifications, cost-effectiveness, and the environmental friendliness and sustainability of the materials provided. We will not cooperate with any suppliers whose materials are toxic or harmful to the environment. Our procurement managers review and rate suppliers, dividing them into three grades: A, B, and C. Suppliers rated as grade C are considered unqualified. If they fail to improve in subsequent evaluations, their supply qualifications will be revoked, and we will stop cooperating with the relevant suppliers.

## B6. Product Liability

### *Product Quality*

All products of the Group are produced in strict accordance with the requirements of industry standard guidelines. The quality inspection personnel of our Quality Control Department are responsible for inspecting the quality of raw materials, while the finished product inspectors of the Production Department are responsible for inspecting semi-finished and finished products during the production process. The quality inspection personnel and finished product inspectors will respectively carry out quality inspection procedures for each batch of purchased raw materials and finished products. For the finished products that fail the inspection, after being reviewed, the finished products will be marked and processed according to the results of the non-conformance review. We will inspect the products before delivery to ensure that the packaging of the products leaving the warehouse is intact and well-sealed. We believe that through strict quality control from raw materials to finished products, the quality of our products can meet the requirements of customers.

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During the reporting year, there was no situation where our products had to be recalled due to product quality reasons. In addition, we did not receive any complaint regarding our products.

### *Maintain and Protect Intellectual Property Rights*

The Group has a Research and Development Department, which is mainly responsible for the research and development of the Group's products, patent inventions, the application for scientific and technological research and development, and other tasks. We understand the importance of maintaining and protecting intellectual property rights. The Group has formulated an intellectual property rights protection management system to protect the intellectual property rights we possess, encourage employees to actively participate in the creation of patent inventions and other intellectual achievements, and thus improve our level of management, protection, and utilization of intellectual property rights.

During the reporting year, there were no major incidents of intellectual property rights infringement within the Group. We have also taken all reasonable measures to prevent any incident of infringing upon the intellectual property rights of third parties.

### *Privacy Policy*

The Group attaches great importance to the confidentiality of consumers' data and their privacy. The personnel of our Sales Department are responsible for keeping the information of distributors, including the original contracts and the personal and corporate information of distributors. In addition, currently we mainly cooperate with large and reputable domestic third-party e-commerce platforms, such as Taobao, Douyin, JD.com, Pinduoduo, Tmall, etc. Such third-party e-commerce platforms will provide consumers with clear privacy policies, explaining how they collect, use, and share consumers' data. The e-commerce platforms will require consumers to tick the option to consent to the collection of their personal information during the registration process, explicitly agreeing that the e-commerce platforms can use their personal information.

As a seller using these relevant e-commerce platforms, the Group will also abide by the consumer information confidentiality policies established by the e-commerce platforms and fulfill our confidentiality obligations.

During the reporting year, there was no situation where the Group leaked consumers' data or personal information.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B7. Anti-corruption

The Group has established a monitoring system against corruption, embezzlement and commercial bribery, aiming to improve the level of corporate governance, prevent and curb the occurrence of corruption, embezzlement and commercial bribery, and strengthen the protection of the Company's assets.

The Group's business is subject to all relevant anti-bribery laws in China. Without the prior consent of the Group, all employees are prohibited from accepting or offering any benefits (such as gifts, loans, money, contracts, etc.). It is also forbidden to use their positions or inherent powers to obtain any benefits or hospitality from customers, subcontractors, suppliers or other business partners. In the process of carrying out business, the Group understands that in some situations, it is appropriate to accept small gifts or business hospitality out of courtesy. However, when accepting business gifts and hospitality, employees are required to make sound judgments for all business matters and inform the relevant parties.

During the reporting year, there were no records of lawsuits in which the Group or its employees were sued for corruption, bribery, extortion, fraud, or money laundering.

Although the Group has not yet provided anti-corruption related training for directors and employees, we are still committed to enhancing the awareness of directors and employees about the importance of business ethics and the concept of anti-corruption. We also promise that we will arrange relevant training when necessary in the future to strengthen the practice of a good corporate culture.

### *Supervision and Whistleblowing Channels and Policies*

The Group has formulated the "Whistleblower System", which aims to enhance the awareness of all employees to maintain internal corporate justice, and meanwhile, provide whistleblowing channels and guidelines for the employees within the Group. We encourage employees to submit whistleblowing to the Company internally in a responsible and effective manner. The identities of individual employees who make genuine and appropriate accusations in accordance with the "Whistleblower System" are guaranteed to be fairly treated. In addition, employees are also guaranteed protection from unfair dismissal, harm, or improper disciplinary actions, even if the concerns raised are not proven to be true.

Our management will support all employees and encourage them to submit whistleblowing regarding their concerns.

## B8. Community Investment

The Group adheres to the concept of giving back to society and continuously contributes to the society where it operates. Although we did not participate in social welfare activities or make donations to public welfare organizations in the form of contributions during the reporting year, the Group will allocate more resources to various educational, cultural and social welfare activities in the future, actively participate in community volunteer activities, and demonstrate the Group's concern for and gratitude to the local society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Environmental Aspect Data

	2025	2024
<b>Air Pollutants</b>		
Total Air Pollutants	1,706.77 kg	391.5 kg
Emission Density of Air Pollutants	1.57 kg/RMB million revenue	0.5 kg/RMB million revenue
Total Nitrogen Oxide (NOx) Emissions	1,679.8 kg	377.9 kg
Total Sulfur Oxide (SOx) Emissions	0.8 kg	0.4 kg
Total Particulate Matter (PM) Emissions	26.17 kg	13.2 kg
<b>Greenhouse Gas Emissions</b>		
Total Greenhouse Gas Emissions	21,858 tCO <sub>2</sub> e	23,594 tCO <sub>2</sub> e
Greenhouse Gas Emissions Density	20 tCO <sub>2</sub> e/RMB million revenue	31 tCO <sub>2</sub> e/RMB million revenue
Scope 1 – Greenhouse Gas Emissions Directly Generated by Operations	1,829 tCO <sub>2</sub> e	2,493 tCO <sub>2</sub> e
Scope 2 – “Indirect Energy” Greenhouse Gas Emissions	19,874 tCO <sub>2</sub> e	20,956 tCO <sub>2</sub> e
Scope 3 – All other Indirect Greenhouse Gas Emissions	155 tCO <sub>2</sub> e	145 tCO <sub>2</sub> e
<b>Non-Hazardous Waste</b>		
Quantity of wastepaper disposal	2.6 tons	1.5 tons
Density of wastepaper disposal quantity	0.0002 tons/ RMB million revenue	0.0002 tons/RMB million revenue
<b>Energy Consumption</b>		
Electricity Consumption	40,095 MWh	36,746 MWh
Energy Consumption of Diesel	209 MWh	186 MWh
Energy Consumption of Petrol	294 MWh	105 MWh
Energy Consumption of Natural Gas	8,391 MWh	5,823 MWh
<b>Total Energy Consumption</b>	<b>48,989 MWh</b>	<b>42,860 MWh</b>
Energy Consumption Intensity	45 MWh/RMB million revenue	57 MWh/RMB million revenue
<b>Water Resources Consumption</b>		
Total Water Consumption	128,062 m <sup>3</sup>	103,002 m <sup>3</sup>
Water Consumption Intensity	118 m <sup>3</sup> /RMB million revenue	137 m <sup>3</sup> /RMB million revenue

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Social Data*

	2025	2024
<b>Number of Employees</b>		
Total Number of Employees	385	287
<b>Number of Employees by Gender</b>		
Male	193	140
Female	192	147
<b>Number of Employees by Age</b>		
Aged under 18	–	–
Aged 18 to 25	79	83
Aged 26 to 35	184	126
Aged 36 to 45	96	64
Aged 46 to 55	21	9
Aged 56 to 65	5	5
Aged over 65	–	–
<b>Number of Employees by Grade</b>		
Ordinary Employee	352	256
Middle-level management Personnel	23	26
Senior management personnel	10	5
<b>Number of employees by employment type</b>		
Open-ended contracts	–	–
Fixed-term contracts	385	287
Temporary employees	–	–
Retirement-rehiring contract	–	–

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2025	2024
<b>Number of employees by region</b>		
Chinese Mainland	382	284
Macau	3	3
Russia	–	–
<b>Employee turnover rate</b>		
Average monthly turnover rate	2.0%	6.6%
<b>Average monthly employee turnover rate by gender</b>		
Male	1.9%	7.2%
Female	2.1%	5.8%
<b>Average monthly employee turnover rate by age</b>		
Under 18	–	–
Aged 18 to 25	1.9%	7.0%
Aged 26 to 35	2.2%	5.5%
Aged 36 to 45	1.5%	6.7%
Aged 46 to 55	2.2%	9.5%
Aged 56 to 65	5.0%	16.4%
Aged Over 65	–	8.3%
<b>Average monthly employee turnover rate by region</b>		
Chinese Mainland	2.0%	6.6%
Macau	–	–
Russia	–	–
<b>Health and Safety</b>		
Number of reported work-related fatalities	–	–
Working days lost due to work-related injuries	60 days	–
Working hours lost	–	–
<b>Development and Training</b>		
Number of employees trained	305	337
Percentage of employees trained	79.22%	117.4%
<b>Percentage of employees trained by gender</b>		
Percentage of male employees trained	80.8%	76.0%
Percentage of female employees trained	77.6%	41.5%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2025	2024
<b>Percentage of employees trained by employee category</b>		
Percentage of general staff trained	78.1%	104.5%
Percentage of middle management trained	95.7%	9.1%
Percentage of senior management trained	80.0%	3.8%
<b>Average training hours completed per employee</b>	<b>3.2</b>	4.1
<b>Average training hours completed per employee by gender (hours)</b>		
Male	2.7	6.4
Female	3.6	1.9
<b>Average training hours completed per employee by grade (hours)</b>		
General staff	3.0	4.1
Middle management personnel	3.9	3.5
Senior management personnel	7.0	8.8
<b>Supply Chain Management</b>		
Total number of suppliers (in Chinese Mainland)	361	300
Total number of suppliers (in Taiwan)	–	–
Total number of suppliers (in Hong Kong)	1	–
Total number of suppliers (in Japan)	–	1
Total Number of Suppliers (in the United States)	–	–
Total number of suppliers (in other countries)	3	–
<b>Product Responsibility</b>		
Number of complaints received regarding products and services	–	–
<b>Anti-Corruption</b>		
Number of concluded corruption-related litigation cases brought against the Issuer or its employees during the reporting year and the litigation outcomes	–	–
<b>Community Investment</b>		
Corporate charitable donations	–	RMB50,000

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## GUIDELINES FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT AND REFERENCES

<b>A. Environmental</b>	<b>Reference in the Report</b>
<b>A1. Emissions</b>	<b>Page Number</b>
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1 The types of emissions and respective emissions data.	65-66
KPI A1.3 Total hazardous waste produced (in tonnes) and intensity (e.g. per unit of production volume, per facility).	68
KPI A1.4 Total non-hazardous waste produced (in tonnes) and intensity (e.g. per unit of production volume, per facility).	69
KPI A1.5 Description of the measures taken to reduce emissions and the achievements obtained.	67
KPI A1.6 Description of the methods for handling hazardous and non-hazardous wastes, the measures taken to reduce the production volume, and the achievements obtained.	68
<b>A2. Use of Resources</b>	<b>Page Number</b>
Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	70
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	71
KPI A2.3 Description of energy use efficiency and the achievements obtained.	70
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, as well as the plans for improving water efficiency and the achievements obtained.	71
KPI A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	71
<b>A3. The Environment and Natural Resources</b>	<b>Page Number</b>
Policies on minimising the issuer's significant impacts on the environment and natural resources.	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	72
<b>A4. Climate Change</b>	<b>Page Number</b>
Policies on identifying and addressing significant climate-related matters that have already had and are likely to have an impact on the issuer.	
KPI A4.1 Description of the significant climate-related matters that have had and are likely to have an impact on the issuer, and the corresponding actions taken.	72-79

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B. Social</b>	<b>Reference in the Report</b>
<b>B1. Employment</b>	<b>Page Number</b>
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	81
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	82
<b>B2. Health and Safety</b>	<b>Page Number</b>
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1 Number and rate of work-related fatalities occurred.	85
KPI B2.2 Lost days due to work injury.	85
KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	84-85
<b>B3. Development and Training</b>	<b>Page Number</b>
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	86
KPI B3.2 The average training hours completed per employee by gender and employee category.	86
<b>B4. Labour Standards</b>	<b>Page Number</b>
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	86
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	86

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B. Social</b>	<b>Reference in the Report</b>
<b>B5. Supply Chain Management</b>	
	<b>Page Number</b>
Policies on managing environmental and social risks of the supply chain.	
KPI B5.1 Number of suppliers by geographical region.	87
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	87
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	87
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	87
<b>B6. Product Responsibility</b>	
	<b>Page Number</b>
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	88
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	88
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	88
KPI B6.4 Description of quality assurance process and recall procedures.	87
KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	88
<b>B7. Anti-corruption</b>	
	<b>Page Number</b>
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	89
KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	89
KPI B7.3 Description of anti-corruption training provided to directors and staff.	89
<b>B8. Community Investment</b>	
	<b>Page Number</b>
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	89
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	89

## INDEPENDENT AUDITOR'S REPORT



**Forvis Mazars CPA Limited**

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To the members of

**Soft International Group Ltd**

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Soft International Group Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 183, which comprise the consolidated statement of financial position at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB") 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 ("HKSAAs") as issued by the Hong Kong Institute of Certified Public Accountants (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, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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

### Key audit matter

#### ***Revenue recognition***

The Group sells its products to different types of customer including sales to domestic and overseas corporate customers and online sales to individual customers through self-operated e-stores and third-party operated e-stores on digital e-commerce platforms in China.

Such sales are recognised at a point in time at which the ownership of the goods has been transferred to customers according to the terms of the sales agreements/orders.

We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group, and the recognition of revenue has a material impact on the consolidated financial statements of the Group.

Related disclosures are included in Notes 2 and 4 to the consolidated financial statements.

### How our audit addressed the key audit matter

Our procedures, among others, included:

- Obtaining an understanding of and evaluating the design, and determining the implementation of the Group's key internal controls over the accuracy and timing of revenue recognition;
- Inspecting key contract terms as stipulated in sales agreements/orders, on a sample basis, to assess the appropriateness of the Group's revenue recognition accounting policies, with reference to the requirements of the prevailing accounting standards;
- Comparing, on a sample basis, sales transactions recorded during the reporting period with underlying documents, including sales agreements/sales orders, sales invoices, detailed sales transaction record generated on digital e-commerce platforms and delivery documents;
- In respect of online sales to individual customers, (i) checking fund transfers, on a sample basis, between bank and digital e-commerce platforms by agreeing with bank advice and/or bank statements and (ii) checking the balances with digital e-commerce platforms by agreeing with the receipt and payment reports from digital e-commerce platforms; and
- Comparing, on a sample basis, sales transactions recorded before and after the end of the reporting period with delivery documents to assess whether the related revenue was recorded in the appropriate reporting period.

# INDEPENDENT AUDITOR'S REPORT

## Key audit matter

### ***Classification and allocation of expenses for the initial listing of the shares of the Company (the "Listing")***

Relevant costs incurred for the Listing are classified and allocated between (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue on the basis that whether the costs are (i) costs for the Company to obtain listing status or (ii) incremental costs for the Company to raise additional funds from the issue of new shares, respectively. On 27 March 2025, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the year ended 31 December 2025, listing expenses of approximately RMB4,931,000 were charged to profit or loss; and transaction costs attributable to issue of shares of approximately RMB14,564,000 was recognised in equity as reduction of share premium.

We have identified the above matter as a key audit matter because the classification and allocation of relevant costs incurred for the Listing involves a significant degree of management's judgement.

Related disclosure is included in Note 2 to the consolidated financial statements.

## How our audit addressed the key audit matter

Our procedures, among others, included:

- Enquiring of the management of the Group on the bases of classification and allocation for the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and
- Checking samples of expenses items that made up the total costs incurred for the Listing to invoices and agreements to confirm the nature of the items and checking whether these items have been correctly classified and allocated according to the bases determined by the management of the Group.

## INDEPENDENT AUDITOR'S REPORT

### Key audit matter

#### ***Expected credit losses ("ECL") assessment of trade receivables***

At 31 December 2025, the gross carrying amount of trade receivables and the related allowance for ECL amounted to approximately RMB164,968,000 and RMB9,183,000, respectively.

At the end of each reporting period, the management of the Group estimates the amount of allowance for ECL on trade receivables based on provision matrix that is (i) based on historical data and (ii) adjusted for forward-looking information (in particular, the risks related to the domicile of the debtor's countries) of the respective trade receivables.

The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for the purpose of the allowance for ECL assessment. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.

We have identified the allowance for ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the allowance for ECL assessment of the balances required significant judgement and involved high level of uncertainty.

Related disclosures are included in Notes 2, 17(a) and 30 to the consolidated financial statements.

### How our audit addressed the key audit matter

Our procedures, among others, included:

- Understanding the Group's credit risk management and practices and assessing the Group's allowance for ECL policy in accordance with the requirements of applicable accounting standards;
- Evaluating the methodologies, inputs and assumptions used by the Group in calculating the allowance for ECL;
- Involving our internal valuation specialist to assist us in assessing the appropriateness of methodology and reasonableness of significant assumption used in the allowance for ECL assessment;
- Checking the aging profile of the trade receivables at the end of the reporting period and the post period-end subsequent settlement from customers, on a sample basis, to underlying accounting records and supporting documents;
- Understanding and evaluating the management's process in identifying the relevant forward-looking information for the allowance for ECL assessment; and
- Checking the calculation of allowance for ECL based on the methodology adopted by the Group and considering the adequacy of the Group's disclosures in relation to credit risk of the Group in the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2025 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

We communicate with 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.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 and 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.

**Forvis Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 27 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

**She Shing Pang**

Practising Certificate number: P05510

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	4	<b>905,474</b>	752,831
Cost of sales		<b>(590,682)</b>	(519,897)
Gross profit		<b>314,792</b>	232,934
Other income	5	<b>4,788</b>	5,058
Selling and distribution expenses		<b>(190,702)</b>	(109,373)
Administrative and other operating expenses		<b>(48,068)</b>	(41,723)
Provision for loss allowance on trade receivables, net	30	<b>(2,720)</b>	(5,023)
Changes in fair value of investment properties	13	<b>(11)</b>	49
Fair value (loss) gain on financial assets at fair value through profit or loss ("FVPL"), net	18	<b>(4,337)</b>	1,443
Finance costs	6	<b>(1,380)</b>	(631)
Listing expenses	6	<b>(4,931)</b>	(13,653)
<b>Profit before tax</b>	6	<b>67,431</b>	69,081
Income tax expenses	9	<b>(11,580)</b>	(14,330)
<b>Profit for the year</b>		<b>55,851</b>	54,751
<b>Other comprehensive (loss) income:</b>			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange difference on translation of the Company's financial statements to presentation currency		<b>(4,021)</b>	(39)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation/combination		<b>(707)</b>	516
<b>Total other comprehensive (loss) income for the year</b>		<b>(4,728)</b>	477
<b>Total comprehensive income for the year</b>		<b>51,123</b>	55,228
<b>Earnings per share</b>	10		(Restated)
Basic (RMB cents)		<b>5.93</b>	7.30
Diluted (RMB cents)		<b>5.93</b>	7.30

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>Non-current assets</b>			
Intangible assets	12	108	–
Investment properties	13	44,199	44,210
Property, plant and equipment	14	238,115	180,299
Right-of-use assets	15	37,696	38,878
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		37,689	24,911
		<b>357,807</b>	288,298
<b>Current assets</b>			
Inventories	16	53,627	46,722
Trade and other receivables	17	250,868	198,300
Financial assets at FVPL	18	2,234	1,303
Pledged bank deposits	19	50,687	29,421
Cash and cash equivalents	20	73,773	26,698
		<b>431,189</b>	302,444
<b>Current liabilities</b>			
Trade and other payables	21	235,841	191,095
Amount due to the Controlling Shareholder	22	–	6,300
Interest-bearing borrowings	23	40,000	33,000
Lease liabilities	15	191	316
Income tax payable		3,756	6,382
		<b>279,788</b>	237,093
<b>Net current assets</b>		<b>151,401</b>	65,351
<b>Total assets less current liabilities</b>		<b>509,208</b>	353,649

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	15	–	191
Deferred tax liabilities	24	7,929	7,947
		7,929	8,138
<b>NET ASSETS</b>			
		501,279	345,511
<b>Capital and reserves</b>			
Issued capital	26	93	9
Reserves	27	501,186	345,502
<b>TOTAL EQUITY</b>			
		501,279	345,511

The consolidated financial statements on pages 103 to 183 were approved and authorised for issue by the Board of Directors on 27 March 2026 and signed on its behalf by

**Ngan Pui Kuan**  
Director

**Zeng Guodong**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Attributable to owners of the Company							Total equity RMB'000
	Reserves						Total reserves RMB'000	
	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27(a))	Capital reserve RMB'000 (Note 27(b))	Translation reserve RMB'000 (Note 27(c))	Statutory reserve RMB'000 (Note 27(d))	Accumulated profits RMB'000		
At 1 January 2025	9	-	207,284	(802)	22,297	116,723	345,502	345,511
Profit for the year	-	-	-	-	-	55,851	55,851	55,851
<b>Other comprehensive loss</b>								
<i>Item that will not be reclassified to profit or loss</i>								
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	(4,021)	-	-	(4,021)	(4,021)
<i>Item that may be reclassified subsequently to profit or loss</i>								
Exchange difference on consolidation/ combination	-	-	-	(707)	-	-	(707)	(707)
<b>Total other comprehensive loss for the year</b>	-	-	-	(4,728)	-	-	(4,728)	(4,728)
<b>Total comprehensive income for the year</b>	-	-	-	(4,728)	-	55,851	51,123	51,123
<b>Transactions with owners</b>								
<i>Contributions and distributions</i>								
Issue of shares pursuant to the Capitalisation Issue (Note 26(d))	61	(61)	-	-	-	-	(61)	-
Issue of shares pursuant to the Global Offering (Note 26(e))	23	119,186	-	-	-	-	119,186	119,209
Transaction costs attributable to issue of shares (Note 26(e))	-	(14,564)	-	-	-	-	(14,564)	(14,564)
Appropriation to statutory reserve	-	-	-	-	11,524	(11,524)	-	-
<b>Total transactions with owners</b>	84	104,561	-	-	11,524	(11,524)	104,561	104,645
<b>At 31 December 2025</b>	93	104,561	207,284	(5,530)	33,821	161,050	501,186	501,279

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Attributable to owners of the Company						Total equity RMB'000
	Share capital RMB'000 (Note 26)	Reserves				Total reserves RMB'000	
		Capital reserve RMB'000 (Note 27(b))	Translation reserve RMB'000 (Note 27(c))	Statutory reserve RMB'000 (Note 27(d))	Accumulated profits RMB'000		
At 1 January 2024	-*	1	(1,279)	12,925	71,344	82,991	82,991
Profit for the year	-	-	-	-	54,751	54,751	54,751
<b>Other comprehensive (loss) income</b>							
<i>Item that will not be reclassified to profit or loss</i>							
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	(39)	-	-	(39)	(39)
<i>Item that may be reclassified subsequently to profit or loss</i>							
Exchange difference on consolidation/combination	-	-	516	-	-	516	516
<b>Total other comprehensive income for the year</b>	-	-	477	-	-	477	477
<b>Total comprehensive income for the year</b>	-	-	477	-	54,751	55,228	55,228
<b>Transactions with owners</b>							
<i>Contributions and distributions</i>							
Issue of shares (Note 26(a))	9	-	-	-	-	-	9
Reorganisation (as defined in Note 1) (Note 26(b))	-	(1)	-	-	-	(1)	(1)
Waiver of amount due to the Controlling Shareholder (Remark)	-	207,284	-	-	-	207,284	207,284
Appropriation to statutory reserve	-	-	-	9,372	(9,372)	-	-
<b>Total transactions with owners</b>	9	207,283	-	9,372	(9,372)	207,283	207,292
<b>At 31 December 2024</b>	9	207,284	(802)	22,297	116,723	345,502	345,511

*Remark:* On 31 March 2024, the amount due to the Controlling Shareholder (as defined in Note 1) of approximately RMB207,284,000 was waived and credited to the capital reserve under equity upon execution of a deed of waiver by the Controlling Shareholder.

\* Represents amount less than RMB1,000.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>67,431</b>	69,081
Adjustments for:			
Amortisation of intangible assets		<b>128</b>	400
Depreciation of property, plant and equipment		<b>21,142</b>	17,267
Depreciation of right-of-use assets		<b>1,182</b>	1,178
Changes in fair value of investment properties		<b>11</b>	(49)
Unrealised gain on changes in fair value of financial assets at FVPL, net	18	<b>(506)</b>	(14)
Finance costs		<b>1,380</b>	631
Interest income		<b>(1,969)</b>	(493)
Gain on disposal of property, plant and equipment, net		<b>(7)</b>	(17)
Provision for loss allowance of trade receivables, net		<b>2,720</b>	5,023
<b>Operating cash flows before changes in working capital</b>		<b>91,512</b>	93,007
Changes in working capital:			
Inventories		<b>(6,905)</b>	27,086
Trade and other receivables		<b>(58,311)</b>	(108,611)
Trade and other payables		<b>46,342</b>	60,126
<b>Cash generated from operations</b>		<b>72,638</b>	71,608
Income tax paid		<b>(14,224)</b>	(18,188)
<b>Net cash from operating activities</b>		<b>58,414</b>	53,420

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>INVESTING ACTIVITIES</b>			
Interest received		1,969	493
Change in pledged bank deposits		(21,266)	(13,426)
Payment for purchase of intangible assets		(236)	–
Payment for purchase of property, plant and equipment		(94,117)	(30,291)
Payment for purchase of financial assets at FVPL		(1,728)	(1,289)
Proceeds from disposal of property, plant and equipment		792	514
<b>Net cash used in investing activities</b>		<b>(114,586)</b>	(43,999)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	26(e)	119,209	9
Payment for transaction costs attributable to issue of shares	26(e)	(14,564)	–
Inception of interest-bearing borrowings	29(b)	93,000	53,000
Repayment of interest-bearing borrowings	29(b)	(86,000)	(33,000)
Repayment of lease liabilities (including financing components)	29(b)	(329)	(325)
Interest paid	29(b)	(1,367)	(608)
Repayment to the Controlling Shareholder, net	29(b)	(6,185)	(64,847)
<b>Net cash from (used in) financing activities</b>		<b>103,764</b>	(45,771)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>47,592</b>	(36,350)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>26,698</b>	63,000
Effect of foreign exchange rate, net		(517)	48
<b>Cash and cash equivalents at the end of the reporting period</b>	20	<b>73,773</b>	26,698

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 1. GENERAL INFORMATION

Soft International Group Ltd (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2023, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 March 2025 (the “Listing”). The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The Company’s principal place of business in Hong Kong is situated at Room 1910, 19/F., C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong and the Group’s head office and principal place of business activities are situated at Zhizao Avenue, Quanzhou Jinjiang Economic Development Zone (Food Park), Fujian Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and sales of hygienic disposables and nonwoven fabrics in Chinese Mainland of the PRC. Details of its principal subsidiaries are set out in Note 25 to the consolidated financial statements.

At the date of approving the consolidated financial statements, the immediate holding company of the Company is Wish International Holding Ltd, which is incorporated in the British Virgin Islands (the “BVI”). In the opinion of the directors of the Company, the ultimate holding company is Softo Co., Ltd, a company incorporated in the BVI and controlled by Mr. Ngan Pui Kuan (the “Controlling Shareholder”).

Pursuant to a group reorganisation (the “Reorganisation”), which was completed on 26 April 2024, as detailed in the paragraph headed “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” of the Company’s prospectus dated 19 March 2025 (the “Prospectus”) issued in connection with the Listing on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

## 2. MATERIAL ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations as issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Renminbi (“RMB”) and all amounts have been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standard that is relevant to the Group and effective from the current reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Adoption of new/revised IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting Standard that is applicable to the current reporting period:

Amendments to IAS 21	Lack of Exchangeability
----------------------	-------------------------

#### *Amendments to IAS 21: Lack of Exchangeability*

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the above amendment does not have any significant impact on the consolidated financial statements.

A summary of material accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

### Basis of measurement

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

### Basis of consolidation/combination

The consolidated financial statements comprises the financial statements of the Company and all of its subsidiaries for the reporting period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### **Basis of consolidation/combination (Continued)**

#### *Allocation of total comprehensive income*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

#### *Changes in ownership interest*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

#### *Merger accounting for business combination involving entities under common control*

The consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Controlling Shareholder's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholder's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised directly in equity as part of the capital reserve. The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when 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. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 34 to the consolidated financial statements, an investment in a subsidiary is stated at cost less impairment loss (if any). The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Construction in progress represents buildings and equipment under construction and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 – 30 years
Plant and machinery	3 – 10 years
Office equipment	3 – 5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Investment properties

Investment properties are land and/or building that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use. The Group's investment properties included leasehold land and buildings.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### Intangible assets

#### *Research and development costs*

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the reporting period, no development cost was capitalised by the Group.

#### *Intangible assets acquired separately – trademark*

The initial cost of licensed trademark is capitalised. Trademark is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over the contract terms.

### Financial instruments

#### **Financial assets**

#### *Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets (Continued)**

##### *Recognition and derecognition (Continued)*

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.

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 the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

##### *Classification and measurement*

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("FVOCI"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

- (a) Financial assets measured at amortised cost
- A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:
- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets (Continued)**

##### *Classification and measurement (Continued)*

(b) Financial assets measured at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which IFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases. Dividend or interest income is presented separately from fair value gain or loss.

#### **Financial liabilities**

##### *Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

##### *Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets*

The Group recognises loss allowances for expected credit losses (“ECL”) on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

#### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information;
- (ii) nature of financial instruments;
- (iii) nature of collateral (if any);
- (iv) industry of debtors;
- (v) geographical location of debtors; and
- (vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument’s credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### ***Impairment of financial assets (Continued)***

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

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

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

##### *Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Impairment of financial assets (Continued)**

##### *Low credit risk*

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bills receivables guaranteed by banks, pledged bank deposits, cash and cash equivalents and other receivables due from financial institutions are determined to have low credit risk.

##### *Simplified approach of ECL*

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### *Credit-impaired financial assets*

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

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

##### *Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

### Revenue recognition

#### **Revenue from contracts with customers within IFRS 15**

##### *Nature of goods or services*

The nature of the goods or services provided by the Group is manufacturing and sales of disposable hygienic products and nonwoven fabrics.

##### *Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers within IFRS 15 (Continued)**

##### *Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from sales of disposable hygienic products and nonwoven fabrics are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

##### *Transaction price: significant financing components*

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers within IFRS 15 (Continued)**

##### *Transaction price: significant financing components (Continued)*

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

##### *Variable consideration*

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

##### *(i) Refund liabilities*

The Group grants certain customers with the right to return the products with defective or counterfeit, or for reasons such as a misrepresentation or misleading product description, or within the predetermined period for unconditional return. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales in respect of the right to recover the product when customers exercise their right of return. With reference to its historical experience and its expectation of future returns as adjusted for current relevant information, the Group estimates the number of returns using the most-likely-amount method and assesses whether the estimated variable consideration is constrained. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

During the reporting period, the Group estimated and adjusted the refund liabilities to revenue from time to time and there was no significant product return from customers which is subject to refund liabilities at the end of each reporting period.

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers within IFRS 15 (Continued)**

##### *Principal versus agent (Continued)*

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. 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 specified goods or services to be provided by the other party.

The Group is acting as a principal for all of its goods sold as the Group controls all of its goods before the good transferred to its customers and its performance obligation is to transfer those goods to its customers.

##### **Interest income**

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

##### **Rental income**

Rental income from leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### **Contract liabilities**

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

Contract liabilities in relation to the non-refundable receipts in advance is reported under "Other Payables".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in RMB and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is Hong Kong dollar ("HK\$") and the functional currency of majority of the Group's subsidiaries is RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group's subsidiaries initially recognise such non-monetary assets or liabilities.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary 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 of 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.

### Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

### Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

#### *The Group as lessee*

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. 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, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

*The Group as lessee (Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives at the annual rates/useful lives of the right-of-use asset (unless 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 – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	50 years
Leased properties	Over the lease term

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as lessee (Continued)*

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as lessor*

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

#### *Operating lease*

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for 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.

### Employee benefits

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in Chinese Mainland of the PRC, the employees of the Group's entities established in Chinese Mainland of the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### Related parties

A related party is a person or entity that is related to the Group, that is defined as:

- (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 of a holding company of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

- (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 holding company, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 holding company of the entity); and
  - (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 a holding company of the Group.

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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's chief operating decision-makers for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual 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.

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

#### *Critical judgements in applying accounting policies:*

(i) *Classification and allocation of listing expenses*

The management of the Group classifies and allocates the relevant costs incurred for the Listing between (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

(ii) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

*Key sources of estimation uncertainty:*

(i) *Useful lives of intangible assets, property, plant and equipment and right-of-use assets*

The management of the Group determines the estimated useful lives of the Group's intangible assets, property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) *Impairment of non-financial assets*

The management of the Group determines whether the Group's intangible assets, property, plant and equipment and right-of-use assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of intangible assets, property, plant and equipment and right-of-use assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from intangible assets, property, plant and equipment and right-of-use assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) *Allowance for inventories*

The management of the Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

*Key sources of estimation uncertainty: (Continued)*

(iv) *Loss allowance for ECL*

The management of the Group estimates the loss allowance for ECL on trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the net carrying amount of trade and other receivables.

(v) *Income taxes*

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

(vi) *Fair value of investment properties*

Investment properties are revalued at the end of each reporting period based on the appraised market value provided by an independent professional valuer. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The most significant input for the Group's estimation of the fair value is market price for similar properties adjusted for age, location, condition, size and other relevant factors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Future changes in IFRS Accounting Standards

At the date of approving the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the reporting period, which the Group has not early adopted.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>(1)</sup>
Annual Improvements to IFRS Accounting Standards	Volume 11 <sup>(1)</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity <sup>(1)</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>(2)</sup>
IFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>(2)</sup>
Amendments to IAS 21	Translation to Hyperinflationary Presentation Currency <sup>(2)</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>(3)</sup> The effective date to be determined

IFRS 18 *“Presentation and Disclosure in Financial Statements”*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *“Presentation of Financial Statements”*. IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of IFRS 18 may affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group’s consolidated financial statements.

Except for IFRS 18 as set out above, the management of the Group does not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the Group’s consolidated financial position or performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the years ended 31 December 2025 and 2024, as the Group manages its business as a whole as the manufacturing and sales of hygienic disposables and nonwoven fabrics. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

### Geographical information

#### (a) Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the domicile of external customers.

	2025 RMB'000	2024 RMB'000
Chinese Mainland of the PRC	395,477	320,489
Russia	361,220	328,251
Southeast Asia ( <i>Note</i> )	87,663	58,135
Hong Kong	26,095	19,951
Others	35,019	26,005
	<b>905,474</b>	752,831

*Note:* Southeast Asia included the sales to external customers located in Malaysia, Thailand, Singapore, Indonesia, Philippines, Vietnam and Myanmar.

#### (b) Non-current assets

The non-current assets information is based on the locations of assets and included the Group's investment properties, property, plant and equipment and right-of-use assets (the "Non-current Assets"). All of the Group's Non-current Assets were located in Chinese Mainland of the PRC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 3. SEGMENT INFORMATION (CONTINUED)

### Information about major customers

Details of the customers (presented by entities under common control, if appropriate) individually accounting for 10% or more of the total revenue of the Group for the years ended 31 December 2025 and 2024 are as follows:

	2025 RMB'000	2024 RMB'000
<b>Sales of hygienic disposables and nonwoven fabrics</b>		
Customer A	311,102	309,608

## 4. REVENUE

Disaggregation of revenue from contracts with customers within IFRS 15 is as follow :

	2025 RMB'000	2024 RMB'000
<i>At a point in time</i>		
Sales of hygienic disposables		
– Babycare	461,174	437,031
– Feminine care	293,768	207,587
– Adult incontinence	41,287	25,050
– Others	6,802	5,921
Sales of nonwoven fabrics and others	803,031	675,589
	102,443	77,242
	905,474	752,831

*Note:* The revenue recognised for the year ended 31 December 2025 which was included in the contract liabilities at the beginning of the reporting period were approximately RMB22,560,000 (2024: RMB20,189,000) (Note 21(c)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 5. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants ( <i>Note</i> )	682	786
Gain on disposal of property, plant and equipment, net	7	17
Interest income	1,969	493
Rental income	438	533
Sales of scrap materials	1,231	2,785
Sundry income	461	444
	<b>4,788</b>	5,058

*Note:* Government grants represent various forms of subsidies granted to the Group by the local government authorities in Chinese Mainland of the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its operation in Chinese Mainland of the PRC.

There were no unfulfilled conditions or contingencies relating to these grants during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2025 RMB'000	2024 RMB'000
<b>Finance costs</b>		
Interest on interest-bearing borrowings	1,367	608
Interest on lease liabilities	13	23
	<b>1,380</b>	631
<b>Staff costs (including directors' and chief executive's remuneration in Note 7)</b>		
Salaries, discretionary bonus, allowances and other benefits in kind	23,539	19,193
Contributions to defined contribution plans	4,690	3,453
	<b>28,229</b>	22,646
<b>Other items</b>		
Auditor's remuneration		
– Audit services	1,223	1,201
– Non-audit services	340	92
Amortisation of intangible assets (charged to "selling and distribution expenses")	128	400
Cost of inventories (Note (a))	590,682	519,897
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	21,142	17,267
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	1,182	1,178
Direct operating expenses arising from investment properties that generate rental income	403	401
Exchange loss, net	3	150
Fair value loss (gain) on financial assets at FVPL, net	4,337	(1,443)
Listing expenses	4,931	13,653
Gain on disposal of property, plant and equipment, net	(7)	(17)
Short-term lease payments	491	–
Research and development expenses (Note (b))	24,575	23,368

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 6. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (a) Cost of inventories included approximately RMB28,875,000 (2024: RMB25,833,000) relating to the aggregated amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets which were included in the respective amounts as disclosed above during the years ended 31 December 2025 and 2024.
- (b) During the years ended 31 December 2025 and 2024, the Group carried out several research and development projects for (i) enhancement of the existing products quality and production efficiency and (ii) development of new products (together, the "Research and Development Activities"). Having considered the enhancement to the existing products' quality and production efficiency cannot be clearly quantified and the technical feasibility for the completion of new projects are uncontrollable, the costs incurred in the Research and Development Activities including approximately RMB4,005,000 (2024: RMB3,556,000), relating to the aggregated amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets, are recognised in the profit or loss as incurred during the years ended 31 December 2025 and 2024.

## 7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company was incorporated in the Cayman Islands on 22 November 2023.

Certain directors of the Company received remuneration from the Group during the year ended 31 December 2024 for their appointment as employees of the Group's entities. The aggregate amounts of remuneration received and receivable by the directors of the Company, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance during the years ended 31 December 2025 and 2024 are set out below.

### Year ended 31 December 2025

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Mr. Ngan Pui Kuan	900	263	–	–	1,163
Mr. Zeng Guodong (Note (i))	180	202	–	31	413
Mr. Gao Yue (Note (ii))	180	144	–	15	339
Mr. Zhou Jiahao (Note (iii))	180	180	–	15	375
<i>Non-executive director</i>					
Mr. Cai Hao (Note (iv))	180	–	–	–	180
<i>Independent non-executive director</i>					
Mr. Ng Brian Hong Jing (Note (v))	83	–	–	–	83
Ms. Leong Kai Weng Subrina (Note (vi))	83	–	–	–	83
Mr. Wong Tai Wai David (Note (vii))	83	–	–	–	83
	<b>1,869</b>	<b>789</b>	<b>–</b>	<b>61</b>	<b>2,719</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Year ended 31 December 2024

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Mr. Ngan Pui Kuan	–	233	–	2	235
Mr. Zeng Guodong (Note (i))	–	203	–	29	232
Mr. Gao Yue (Note (ii))	–	144	–	14	158
Mr. Zhou Jiahao (Note (iii))	–	180	–	9	189
<i>Non-executive director</i>					
Mr. Cai Hao (Note (iv))	–	–	–	–	–
	–	760	–	54	814

### Notes:

- (i) Mr. Zeng Guodong was appointed as an executive director and chief executive officer of the Company on 8 May 2024.
- (ii) Mr. Gao Yue was appointed as an executive director of the Company on 8 May 2024.
- (iii) Mr. Zhou Jiahao was appointed as an executive director of the Company on 8 May 2024.
- (iv) Mr. Cai Hao was appointed as a non-executive director of the Company on 8 May 2024.
- (v) Mr. Ng Brian Hong Jing was appointed as an independent non-executive director of the Company on 10 March 2025.
- (vi) Ms. Leong Kai Weng Subrina was appointed as an independent non-executive director of the Company on 10 March 2025.
- (vii) Mr. Wong Tai Wai David was appointed as an independent non-executive director of the Company on 10 March 2025.

During the years ended 31 December 2025 and 2024, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the reporting period is as follows:

	2025	2024
Director	4	2
Non-director	1	3
	<b>5</b>	<b>5</b>

Details of the remuneration of the above highest paid non-director individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, discretionary bonus, allowances and other benefits in kind	252	581
Contributions to defined contribution plans	16	46
	<b>268</b>	<b>627</b>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	2025	2024
Nil to HK\$1,000,000	1	3

During the years ended 31 December 2025 and 2024, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 9. TAXATION

	2025 RMB'000	2024 RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax ("PRC EIT")	11,598	13,976
<b>Deferred taxation (Note 24)</b>		
Changes in temporary differences	(18)	354
Total income tax expenses for the year	11,580	14,330

The Group's entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2025 and 2024.

The Group's entities established in Chinese Mainland of the PRC are subject to the PRC EIT at a statutory rate of 25% during the years ended 31 December 2025 and 2024 except for 嬰舒寶(中國)有限公司(Insoftb (China) Co., Ltd.\*) ("Insoftb China") which has been recognised as High and New Technology Enterprise (the "HNTE") since December 2020 and is entitled to a preferential tax rate of 15% during the years ended 31 December 2025 and 2024. The entitlement of the HNTE is subject to renewal by the tax bureau in Chinese Mainland of the PRC every three years. The latest approval of the HNTE for Insoftb China was obtained in December 2023 for the three years ending 31 December 2026.

### Reconciliation of income tax expenses

	2025 RMB'000	2024 RMB'000
Profit before tax	67,431	69,081
Income tax at statutory tax rate applicable in respective territories	17,270	17,442
Effect of preferential tax treatments	(9,340)	(7,812)
Non-deductible expenses	1,488	3,567
Unrecognised tax losses	5,848	4,638
Additional tax deduction for research and development expenses (Note)	(3,686)	(3,505)
Income tax expenses	11,580	14,330

*Note:* According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an enterprise engaging in research and development activities is entitled to claim 200% of its qualified research and development expenses incurred as tax deductible expenses when determining its assessable profits for the years ended 31 December 2025 and 2024.

\* The English name is translated for identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 10. EARNINGS PER SHARE

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

	2025	2024
<b>Profit:</b>		
Profit for the year attributable to owners of the Company, used in basic earnings per share calculation (RMB'000)	55,851	54,751
<b>Number of shares:</b>		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	941,781	750,000

\* *The English name is translated for identification purpose only.*

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective reporting periods. For the years ended 31 December 2025 and 2024, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share were on the basis as if the Reorganisation and the Capitalisation Issue (as defined in Note 26(d)) had been effective on 1 January 2024.

There were no dilutive potential ordinary shares during the years ended 31 December 2025 and 2024, and therefore, diluted earnings per share is the same as the basic earnings per share.

## 11. DIVIDENDS

No dividends have been proposed, declared or paid by the Company for the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 12. INTANGIBLE ASSETS

	<b>Trademarks</b>
	RMB'000
<hr/>	
<b>Reconciliation of carrying amount</b>	
At 1 January 2024	400
Amortisation	(400)
<hr/>	
At 31 December 2024 and 1 January 2025	–
Addition	236
Amortisation	(128)
<hr/>	
<b>At 31 December 2025</b>	<b>108</b>
<hr/>	
<b>At 31 December 2025</b>	
Cost	<b>3,566</b>
Accumulated amortisation	<b>(3,458)</b>
<hr/>	
	<b>108</b>
<hr/>	
At 31 December 2024	
Cost	3,330
Accumulated amortisation	(3,330)
<hr/>	
	–
<hr/>	

Trademark was licensed from independent third party in relation to the Group's ordinary business for an initial contract term of 3 years. During the year ended 31 December 2025, the licence for the trademark has been renewed and further extended for 2 years to the year 2026 at a consideration of approximately RMB236,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 13. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
<b>At fair value</b>		
At the beginning of the reporting period	44,210	44,161
Changes in fair value	(11)	49
<b>At the end of the reporting period</b>	<b>44,199</b>	44,210

The Group's investment properties consist of leasehold land and buildings located in Chinese Mainland of the PRC, which were held under leases to earn rental income or for capital appreciation. During the years ended 31 December 2025 and 2024, the Group's investment properties are leased to third parties to earn rental income under operating leases, which are detailed in Note 15(b) to the consolidated financial statements.

At the end of the reporting period, the fair value of the investment properties was determined by the Group's management with reference to the valuation report from an independent professional qualified valuer, BonVision International Appraisals Limited, who holds a recognised and relevant professional qualification and has relevant experience in the location and category of the Group's investment properties being valued. The valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as age, location, condition and size, were used to value the properties. The most significant input into this valuation approach is the adjusted price per square meter. A significant increase/decrease in the estimated price per square meter will result in a significant increase/decrease in the fair value of the investment properties.

At 31 December 2025, the Group's investment properties with carrying amount of approximately RMB44,199,000 (2024: RMB44,210,000) were pledged to secure banking facilities of the Group (Note 23).

### Fair value measurement of investment properties

#### (a) Fair value hierarchy

During the years ended 31 December 2025 and 2024, the investment properties of the Group were categorised as Level 3 fair value measurement and there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Details of the fair value hierarchy of the assets and liabilities of the Group are set out in Note 31 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 13. INVESTMENT PROPERTIES (CONTINUED)

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

(b) *Information about Level 3 fair value measurements*

Below is summary of valuation techniques used and the key inputs to the valuations in respect of investment properties included in Level 3 categories together with the sensitivity analysis at the end of the reporting period:

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Investment properties	Direct comparison approach	Adjusted market price per square meter at RMB2,430.88 (2024: RMB2,431.49) per square meter, taking into account of age, location, condition, size and other individual factors of the subject investment properties and price information of comparable properties at 31 December 2025	The higher adjusted market price per square meter, the higher fair value of the investment properties, and vice versa	Increase/decrease 10% result in increase/decrease in fair value by approximately RMB4,420,000 (2024: RMB4,421,000) for the year ended 31 December 2025

The fair value measurement is based on the above assets' highest and best use, which does not differ from their actual use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Reconciliation of carrying amount</b>						
<b>– year ended 31 December 2025</b>						
At 1 January 2025	74,604	103,949	51	323	1,372	180,299
Additions	–	50,886	110	1,028	27,719	79,743
Disposals	–	(762)	–	(23)	–	(785)
Depreciation	(4,545)	(16,383)	(30)	(184)	–	(21,142)
Transfers	–	497	–	–	(497)	–
<b>At 31 December 2025</b>	<b>70,059</b>	<b>138,187</b>	<b>131</b>	<b>1,144</b>	<b>28,594</b>	<b>238,115</b>
<b>Reconciliation of carrying amount</b>						
<b>– year ended 31 December 2024</b>						
At 1 January 2024	78,155	101,110	17	240	–	179,522
Additions	972	16,028	45	124	1,372	18,541
Disposals	–	(497)	–	–	–	(497)
Depreciation	(4,523)	(12,692)	(11)	(41)	–	(17,267)
<b>At 31 December 2024</b>	<b>74,604</b>	<b>103,949</b>	<b>51</b>	<b>323</b>	<b>1,372</b>	<b>180,299</b>
<b>At 31 December 2025</b>						
Cost	99,957	235,915	1,052	3,229	28,594	368,747
Accumulated depreciation	(29,898)	(97,728)	(921)	(2,085)	–	(130,632)
	<b>70,059</b>	<b>138,187</b>	<b>131</b>	<b>1,144</b>	<b>28,594</b>	<b>238,115</b>
<b>At 31 December 2024</b>						
Cost	99,957	202,585	942	2,667	1,372	307,523
Accumulated depreciation	(25,353)	(98,636)	(891)	(2,344)	–	(127,224)
	74,604	103,949	51	323	1,372	180,299

At 31 December 2025, the Group was in the process of applying for the title certificates of buildings with an aggregate net carrying amount of approximately RMB22,684,000 (2024: RMB24,048,000). The directors of the Company are of the view that the Group is entitled to lawful and valid occupy and use the abovementioned buildings in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 15. LEASES

### (a) The Group as lessee

*Right-of-use assets*

	Leased properties RMB'000	Leasehold land RMB'000	Total RMB'000
<b>Reconciliation of carrying amount</b>			
<b>– year ended 31 December 2025</b>			
At 1 January 2025	497	38,381	38,878
Depreciation	(312)	(870)	(1,182)
<b>At 31 December 2025</b>	<b>185</b>	<b>37,511</b>	<b>37,696</b>
<b>Reconciliation of carrying amount</b>			
<b>– year ended 31 December 2024</b>			
At 1 January 2024	731	39,250	39,981
Additions	75	–	75
Depreciation	(309)	(869)	(1,178)
At 31 December 2024	497	38,381	38,878
<b>At 31 December 2025</b>			
Cost	1,087	43,447	44,534
Accumulated depreciation	(902)	(5,936)	(6,838)
	<b>185</b>	<b>37,511</b>	<b>37,696</b>
At 31 December 2024			
Cost	1,087	43,447	44,534
Accumulated depreciation	(590)	(5,066)	(5,656)
	497	38,381	38,878

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 15. LEASES (CONTINUED)

### (a) The Group as lessee (Continued)

#### *Right-of-use assets (Continued)*

The Group leases properties for its daily operations with the initial lease terms ranging from 2 to 3 years during the years ended 31 December 2025 and 2024. The leasehold land represents lump sum consideration paid by the Group for lease period of 50 years and there are no ongoing payments to be made under the terms of the land leases.

At 31 December 2025, one of the Group's leasehold land with a carrying amount of approximately RMB20,022,000 (2024: RMB20,467,000) was pledged to secure the followings:

	2025 RMB'000	2024 RMB'000
Bills payables (Note 21(b))	50,362	–
Interest-bearing borrowings (Note 23)	–	30,000

#### *Extension and termination options*

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties are normally exercised after the contracts terms and conditions are renegotiated and agreed between the Group and the lessor because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant costs or acquisition of new properties. The Group seldom exercises termination options that were included in the leases.

#### *Restriction or covenants*

Leased properties impose a restriction that, unless approval is obtained from the lessors, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

#### *Commitments under leases*

At 31 December 2025 and 2024, no commitments on short-term leases or low-value asset leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 15. LEASES (CONTINUED)

### (a) The Group as lessee (Continued)

#### Lease liabilities

	2025 RMB'000	2024 RMB'000
Current portion	191	316
Non-current portion	–	191
	<b>191</b>	507

Commitments and present value of lease liabilities:

	<i>Lease payments</i>		<i>Present value of lease payments</i>	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Amounts payable:				
Within one year	194	329	191	316
More than 1 year but within 2 years	–	194	–	191
	<b>194</b>	523	<b>191</b>	507
Less: future finance charges	<b>(3)</b>	(16)	–	–
Total lease liabilities	<b>191</b>	507	<b>191</b>	507

At 31 December 2025, the weighted average effective interest rates of the lease liabilities of the Group were approximately 3.64% (2024: 3.49%) per annum.

The total cash flows in relation to leases for the years ended 31 December 2025 and 2024 were approximately RMB820,000 and RMB325,000, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 15. LEASES (CONTINUED)

### (a) The Group as lessee (Continued)

*Lease liabilities (Continued)*

The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	13	23
Depreciation of right-of-use assets	1,182	1,178
	<b>1,195</b>	1,201

### (b) The Group as lessor

The investment properties are leased to several tenants for initial lease terms ranging from two to three years which are non-cancellable by the tenants. The leases do not contain any renewal option. Monthly rental charges consist of fixed payments.

At the end of each reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	402	255
More than one year but less than two years	183	37
	<b>585</b>	292

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 16. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	19,522	21,573
Finished goods	34,105	25,149
	<b>53,627</b>	46,722

## 17. TRADE AND OTHER RECEIVABLES

	Note	2025 RMB'000	2024 RMB'000
<b>Trade receivables</b>			
From third parties		164,968	151,926
Less: Loss allowances	30	(9,183)	(6,463)
	17(a)	<b>155,785</b>	145,463
<b>Bills receivables</b>	17(b)	<b>88</b>	641
<b>Other receivables</b>			
Amount due from brokers for commodity futures contracts		1,824	3,155
Prepaid listing expenses		–	2,562
Prepaid promotion expenses	17(c)	19,776	11,138
Prepaid distribution service fees to a related company	17(d)	4,812	–
Prepayment to suppliers	17(e)	18,269	3,897
Deposits paid to digital platforms		5,115	2,960
Receivables from digital platforms	17(f)	10,407	5,933
Value-added tax and other tax recoverables		24,478	13,331
Other prepayment, deposits and receivables		10,314	9,220
		<b>94,995</b>	52,196
		<b>250,868</b>	198,300

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 17(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
Within 30 days	41,638	53,078
31 to 60 days	34,597	44,752
61 to 90 days	27,396	39,932
91 to 180 days	23,824	5,173
181 to 365 days	18,936	2,476
Over 1 year	9,394	52
	<b>155,785</b>	145,463

At the end of the reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	2025 RMB'000	2024 RMB'000
Not yet due	102,949	132,524
Past due:		
Within 30 days	17,702	3,494
31 to 60 days	4,376	2,793
61 to 90 days	2,691	4,044
91 to 180 days	8,190	1,105
181 to 365 days	14,940	1,451
Over 1 year	4,937	52
	<b>52,836</b>	12,939
	<b>155,785</b>	145,463

The Group normally grants credit terms up to 180 days (2024: up to 90 days) from the date of issuance of invoices.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 17(b) Bills receivables

At the end of the reporting period, the bills receivables were issued and guaranteed by banks in Chinese Mainland of the PRC and had maturities of less than six months.

### 17(c) Prepaid promotion expenses

At 31 December 2025, the amounts represented the promotion expenses of approximately RMB19,776,000 (2024: RMB11,138,000) prepaid to certain marketing agents for (i) the promotion on digital platforms and (ii) endorsement services expenses for the promotion of one of the product brands of the Group.

At 31 December 2025, the amount of approximately RMB1,333,000 (2024: Nil) was expected to be recognised in profit or loss more than twelve months after the end of the reporting period. The Group classified these prepaid promotion expenses as current as it expects to realise them in its normal operating cycle.

### 17(d) Prepaid distribution service fees to a related company

At 31 December 2025, the amount of approximately RMB4,812,000 represented the distribution service fees prepaid to related company, 晉江市志華物流有限公司 (Jinjiang Zhihua Logistics Co., Ltd.\*) ("Zhihua") which is wholly-owned and controlled by Mr. Gao Yue, an executive director of the Company. The amount was expected to be recognised in profit or loss within one year.

The greatest outstanding amount during the year ended 31 December 2025 was approximately RMB6,398,000 (2024: N/A).

### 17(e) Prepayment to suppliers

The prepayment to suppliers was to secure the supply of raw materials at the end of the reporting period. The prepayment is interest-free, refundable and/or expected to be utilised within 1 year.

### 17(f) Receivables from digital platforms

The amounts represented the considerations received by the digital platforms on behalf of the Group for the sales through the Group's self-operated online retail stores via their platforms. The amounts were repayable on demand upon the request from the Group.

\* The English name is translated for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 18. FINANCIAL ASSETS AT FVPL

	2025 RMB'000	2024 RMB'000
<b>Financial assets at FVPL</b>		
Commodity futures contracts on raw material	2,234	1,303
<b>Fair value changes recognised in profit or loss for the year ended 31 December:</b>		
Realised (loss) gain, net	(4,843)	1,429
Unrealised gain, net	506	14
	<b>(4,337)</b>	<b>1,443</b>

At 31 December 2025, the fair value of the commodity futures contracts on raw material was determined with reference to the prices quoted by the financial institutions and the Group had outstanding commodity futures contracts on raw material with underlying nominal values of approximately RMB31,913,000 (2024: RMB18,613,000).

The fair value of the commodity futures contracts on raw materials was categorised into Level 1 fair value measurement as defined in IFRS 13, "Fair value measurement" as detailed in Note 31 to the consolidated financial statements.

## 19. PLEDGED BANK DEPOSITS

At 31 December 2025, pledged bank deposits of approximately RMB50,687,000 (2024: RMB29,421,000) were placed to secure the followings:

	2025 RMB'000	2024 RMB'000
Bills payables (Note 21(b))	68,705	53,483
Interest-bearing borrowings (Note 23)	-	3,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 20. CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash at bank and in hand	73,773	22,298
Non-pledged time deposits with original maturity of 3 months or less when acquired	–	4,400
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	73,773	26,698

At 31 December 2025, bank balances in total of approximately RMB73,754,000 (2024: RMB22,196,000) carried interest at floating rates based on daily bank deposit rates. During the years ended 31 December 2025 and 2024, non-pledged time deposits were made between one month and three months depending on the immediate cash requirement of the Group, and earned interest at the prevailing short-term deposit rates.

At 31 December 2025, bank balances that were placed in Chinese Mainland of the PRC amounted to approximately RMB73,053,000 (2024: RMB15,782,000). Remittance of funds out of Chinese Mainland of the PRC is subject to the exchange controls imposed by the PRC government.

## 21. TRADE AND OTHER PAYABLES

	Note	2025 RMB'000	2024 RMB'000
<b>Trade payables to third parties</b>	21(a)	36,776	61,184
<b>Bills payables</b>	21(b)	119,067	53,483
<b>Other payables</b>			
Contract liabilities – receipts in advance	21(c)	41,794	22,560
Salary payables		2,384	1,440
Other tax payables		1,033	869
Accruals and other payables		23,360	23,420
Payables for purchase of property, plant and equipment		10,973	12,569
Payables for distribution service fees			
– to a related company	21(d)	–	9,509
– to third parties		454	993
Accrued listing expenses		–	5,068
		79,998	76,428
		235,841	191,095

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

### 21(a) Trade payables

The trade payables were unsecured, interest-free and with normal credit terms up to 60 days (2024: up to 60 days).

At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2025 RMB'000	2024 RMB'000
Within 30 days	27,595	28,119
31 to 60 days	5,582	27,918
61 to 90 days	493	2,247
Over 90 days	3,106	2,900
	<b>36,776</b>	61,184

### 21(b) Bills payables

At 31 December 2025 and 2024, the bills payables were issued and guaranteed by banks in Chinese Mainland of the PRC and had maturities of less than six months. The Group's bills payables were secured by the followings:

	2025 RMB'000	2024 RMB'000
Pledged bank deposits (Note 19)	50,687	23,693
Leasehold land (Note 15)	20,022	–

### 21(c) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities within IFRS 15 during the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the reporting period	22,560	20,189
Additions	41,794	22,560
Revenue recognised (Note 4)	(22,560)	(20,189)
<b>At the end of the reporting period</b>	<b>41,794</b>	22,560

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

### 21(c) Contract liabilities (Continued)

The contract liabilities of approximately RMB41,794,000 (2024: RMB22,560,000) at 31 December 2025 represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period. The Group expects the transaction price of approximately RMB41,794,000 (2024: RMB22,560,000) at 31 December 2025 allocated to the unsatisfied performance obligations are expected to be recognised as revenue in one year or less when the obligations are performed.

Contract liabilities primarily represent advance payments received from customers for goods that have not been transferred to the customers.

The changes in contract liabilities during the years ended 31 December 2025 and 2024 were mainly due to the changes in number of sales orders which required advance payments at the end of the respective reporting period.

### 21(d) Payables for distribution service fees to a related company

At 31 December 2024, there were approximately RMB9,509,000 payable to related company, Zihua, in relation to provision of distribution services. The amount due was unsecured, interest-free and will be settled in accordance with a credit period of 30 days granted to the Group.

## 22. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

At 31 December 2024, the amount due to the Controlling Shareholder of approximately RMB6,300,000 was classified under current liabilities which was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 23. INTEREST-BEARING BORROWINGS

	2025 RMB'000	2024 RMB'000
<b>Secured and guaranteed bank loans</b>		
– Fixed-rate bank loans	–	10,000
– Variable-rate bank loans	20,000	23,000
	<b>20,000</b>	33,000
<b>Unsecured and unguaranteed bank loans</b>		
– Variable-rate bank loans	20,000	–
	<b>40,000</b>	33,000
<b>Carrying amounts of the interest-bearing borrowings (Note):</b>		
– On demand or less than 1 year	40,000	15,000
– 1 to 2 years	–	2,000
– 2 to 3 years	–	16,000
<b>Amounts shown under current liabilities</b>	<b>40,000</b>	33,000

*Note:* At 31 December 2024, the interest-bearing borrowings of approximately RMB33,000,000, with a clause in the loan agreements that gave the lenders an overriding right to demand repayment without notice or with notice period of less than 12 months at their sole discretion, were classified as current liabilities even though the directors of the Company did not expect that the lenders would exercise their rights to demand repayment. The amounts due were presented based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's secured and guaranteed bank loans are as follow:

	2025 %	2024 %
Fixed-rate bank loans	N/A	2.00 – 3.50
Variable-rate bank loans	1.51 – 3.40	2.80 – 3.35

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 23. INTEREST-BEARING BORROWINGS (CONTINUED)

The interest-bearing borrowings were collectively secured by:

- (a) corporate guarantee provided by subsidiaries of the Group for the years ended 31 December 2025 and 2024;
- (b) leasehold land with a carrying amount of approximately RMB20,467,000 at 31 December 2024 (*Note 15*);
- (c) investment properties of approximately RMB44,199,000 (*2024: RMB44,210,000*) at 31 December 2025 (*Note 13*); and
- (d) pledged bank deposits of approximately RMB5,728,000 at 31 December 2024 (*Note 19*).

All banking facilities are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At the end of the reporting period, none of the covenants relating to drawn down facilities had been breached.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 24. DEFERRED TAXATION

The movements in the Group's deferred tax liabilities during the reporting period were as follows:

	Accrued revenue and costs RMB'000	Depreciation allowance RMB'000	Fair value changes on investment properties RMB'000	Total RMB'000
At 1 January 2024	71	1,224	6,298	7,593
Income tax (credit) expenses	(10)	349	15	354
At 31 December 2024	61	1,573	6,313	7,947
At 1 January 2025	<b>61</b>	<b>1,573</b>	<b>6,313</b>	<b>7,947</b>
Income tax expenses (credit)	<b>6</b>	<b>(21)</b>	<b>(3)</b>	<b>(18)</b>
<b>At 31 December 2025</b>	<b>67</b>	<b>1,552</b>	<b>6,310</b>	<b>7,929</b>

At 31 December 2025, the Group has unused tax losses of approximately RMB69,340,000 (2024: RMB45,948,000) subject to the approval by the relevant tax authorities, available for offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the period in which the tax loss was incurred. At 31 December 2025 and 2024, no deferred tax assets have been recognised in respect of these tax losses as it is not probable that sufficient future taxable profits will be available for the respective subsidiaries against which the assets can be utilised.

Dividend distribution out of profit of foreign-invested enterprises earned in Chinese Mainland of the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10%. At the end of the reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Chinese Mainland of the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The unremitted accumulated profits were approximately RMB291,339,000 (2024: RMB187,618,000) at 31 December 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 25. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/ place of operation
<i>Directly held</i>					
Soft International Group Holding Ltd. ("Soft BVI")	The BVI	27 December 2023	No par value	100%	Investment holding/Hong Kong
<i>Indirectly held</i>					
Hong Kong Super Infant International Group Company Limited ("Soft HK")	Hong Kong	17 August 2010	HK\$1,000	100%	Investment holding/Hong Kong
Insoftb China ( <i>Note</i> )	Chinese Mainland of the PRC	30 November 2010	United States Dollars ("US\$") 10,000,000	100%	Manufacturing and sales of hygienic disposables/Chinese Mainland of the PRC
福建嬰舒寶新材料科技有限公司 Fujian Insoftb New Materials Technology Co., Ltd.*	Chinese Mainland of the PRC	7 August 2020	RMB100,000,000	100%	Manufacturing of hygienic disposables and related products/Chinese Mainland of the PRC
嬰舒寶(滁州)嬰童用品有限公司 Insoftb (Chuzhou) Infant and Child Products Co., Ltd.*	Chinese Mainland of the PRC	6 March 2013	RMB5,000,000	100%	Investment holding/Chinese Mainland of the PRC
晉江市利佰達貿易有限責任公司 Jinjiang Libaida Trading Co., Ltd.* ("Jinjiang Libaida")	Chinese Mainland of the PRC	17 November 2011	RMB1,000,000	100%	Sale of hygienic disposables/ Chinese Mainland of the PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

*Note:* The entity is wholly foreign owned enterprise established in Chinese Mainland of the PRC with limited liability.

\* The English name is translated for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 26. SHARE CAPITAL

	Number of shares	Amount HK\$'000	
<b>Authorised:</b>			
Ordinary shares of HK\$0.0001 each			
At 1 January 2024	38,000,000		380
Increase (Note (c))	3,762,000,000		–
At 31 December 2024, 1 January 2025 and <b>31 December 2025</b>	<b>3,800,000,000</b>		<b>380</b>
	Number of shares	Amount HK\$'000	Equivalent to RMB approximately RMB'000
<b>Issued and fully paid:</b>			
At 1 January 2024	1	–*	–*
Issue of shares (Note (a))	899,999	9	9
Issue of shares pursuant to the Reorganisation (Note (b))	100,000	1	–*
Sub-divided (Note (c))	99,000,000	–	–
At 31 December 2024 and 1 January 2025	<b>100,000,000</b>	<b>10</b>	<b>9</b>
Issue of shares pursuant to the Capitalisation Issue (Note (d))	<b>650,000,000</b>	<b>65</b>	<b>61</b>
Issue of shares pursuant to the Global Offering (Note (e))	<b>250,000,000</b>	<b>25</b>	<b>23</b>
<b>At 31 December 2025</b>	<b>1,000,000,000</b>	<b>100</b>	<b>93</b>

\* Represents amount less than HK\$1,000 or RMB1,000, where applicable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 26. SHARE CAPITAL (CONTINUED)

*Notes:*

- (a) On 23 April 2024, the Company issued 899,999 ordinary shares at par value of HK\$0.01 each in cash total consideration of HK\$9,000 (equivalent to approximately RMB8,537).
- (b) On 26 April 2024, the Company, Soft BVI, the Controlling Shareholder and Mr. Zeng Guodong (an executive director of the Company) entered into a share transfer agreement, pursuant to which the Company agreed to acquire 90% and 10% issued shares of Soft HK from the Controlling Shareholder and Mr. Zeng Guodong in total consideration of HK\$1,000 (equivalent to approximately RMB928). The consideration was satisfied by way of issuance of 90,000 and 10,000 ordinary shares at par value of HK\$0.01 each and credited as fully-paid in the share capital of the Company to two entities, each of them controlled by the Controlling Shareholder and Mr. Zeng Guodong, respectively.

Accordingly, Soft HK and its subsidiaries became the wholly owned subsidiaries of the Company. Details of which are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

- (c) Pursuant to the resolution of the Company's shareholders dated 6 May 2024, the Company subdivided each of its then existing issued and unissued ordinary share with a par value of HK\$0.01 each into 100 shares with a par value of HK\$0.0001 each. Accordingly, the authorised and issued share capital of the Company becomes HK\$380,000 divided into 3,800,000,000 shares and HK\$10,000 divided into 100,000,000 shares with a par value of HK\$0.0001 each, respectively.
- (d) Pursuant to the resolution in writing of the Company's shareholders passed on 10 March 2025 (the "Resolution"), subject to the share premium account of the Company being credited as a result of the offering of the Company's shares under the Listing, the directors of the Company were authorised to allot and issue a total of 650,000,000 shares of HK\$0.0001 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$65,000 (equivalent to approximately RMB61,000) standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to the Resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was completed on 27 March 2025.
- (e) On 27 March 2025, the shares of the Company were listed on the Main Board of the Stock Exchange and 250,000,000 new ordinary shares with par value of HK\$0.0001 of the Company were offered to sell at a price of HK\$0.51 per share by way of share offer (the "Global Offering"). The gross proceeds under the Global Offering from the sale of 250,000,000 new shares amounted to HK\$127,500,000 (equivalent to approximately RMB119,209,000). The expenses directly attributable to the issue of 250,000,000 new shares in relation to the Global Offering of approximately RMB14,564,000 have been recognised in the share premium account within equity of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 27. RESERVES

### 27(a) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

### 27(b) Capital reserve

The capital reserve represents the deemed capital contribution from the Controlling Shareholder through the waiver of the amount due to the Controlling Shareholder of approximately RMB207,284,000 during the year ended 31 December 2024.

### 27(c) Translation reserve

The translation reserve represents all foreign exchange differences arising from the translation of the Group's entities, including the Company, that have functional currency different from the Group's presentation currency for consolidations.

### 27(d) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in Chinese Mainland of the PRC, the Group's subsidiaries in Chinese Mainland of the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of subsidiaries incorporated/established in Chinese Mainland of the PRC prepared in accordance with Chinese Mainland of the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective subsidiaries incorporated/established in Chinese Mainland of the PRC, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 28. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the years ended 31 December 2025 and 2024.

### (a) Related party transactions of the Group

Transactions among the group entities have been eliminated by consolidation/combination and are not disclosed. During the years ended 31 December 2025 and 2024, the Group had the following significant transactions with related parties. In the opinion of the directors of the Company, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

Name of the related party	Nature of the transaction	2025 RMB'000	2024 RMB'000
福建省晉江市對外貿易有限公司(Fujian Province Jinjiang City Foreign Trade Co., Ltd.*) ("Jinjiang Foreign Trade") (Note)	Agency fee for import and export services	–	192
Zihua	Provision of distribution services	18,325	16,180

Note: 30% of equity interests in Jinjiang Foreign Trade was previously held by the Controlling Shareholder of the Group. On 18 April 2024, the Controlling Shareholder of the Group disposed his 30% equity interests in Jinjiang Foreign Trade to an independent third party. Since then, Jinjiang Foreign Trade ceased to be a related party of the Group.

### (b) Remuneration for key management personnel (including directors of the Company) of the Group

	2025 RMB'000	2024 RMB'000
Salaries, allowances, discretionary bonus, and other benefits in kind	3,425	1,221
Contributions to defined contribution plans	124	95
	3,549	1,316

Further details of the directors' remuneration are set out in Note 7 to the consolidated financial statements.

\* The English name is translated for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Balances with related parties

	2025 RMB'000	2024 RMB'000
<b>Amount due to the Controlling Shareholder (Note 22)</b>	–	6,300
<b>Prepayment (Payables) for distribution services fees to a related company</b> Zihua (Notes 17(d) and 21(d))	4,812	(9,509)

## 29. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

During the year ended 31 December 2024, the Group recognised right-of-use assets by incurring lease liabilities of approximately RMB75,000.

During the year ended 31 December 2024, the Group and the Controlling Shareholder entered into a deed of waiver dated and executed on 31 March 2024, pursuant to which, the amount due to the Controlling Shareholder classified under non-current liabilities of approximately RMB207,284,000 was waived and credited to the capital reserve under the equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 29. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities

The movements during the reporting periods in the Group's liabilities arising from financing activities are as follows:

#### For the year ended 31 December 2025

	Amount due to the Controlling Shareholder RMB'000	Interest- bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2025	6,300	33,000	507	39,807
Non-cash changes:				
Finance costs	–	1,367	13	1,380
Exchange realignment	(115)	–	–	(115)
Cash outflow in financing activities:				
Inception of interest-bearing borrowings	–	93,000	–	93,000
Repayment of interest-bearing borrowings	–	(86,000)	–	(86,000)
Repayment to the Controlling Shareholder, net	(6,185)	–	–	(6,185)
Repayment of lease liabilities (including financing components)	–	–	(329)	(329)
Interest paid	–	(1,367)	–	(1,367)
<b>At 31 December 2025</b>	<b>–</b>	<b>40,000</b>	<b>191</b>	<b>40,191</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

### 29. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

#### (b) Reconciliation of liabilities arising from financing activities (Continued)

For the year ended 31 December 2024

	Amount due to the Controlling Shareholder RMB'000	Interest- bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	278,860	13,000	734	292,594
Non-cash changes:				
Addition of right-of-use assets	–	–	75	75
Waiver of amount due to the Controlling Shareholder	(207,284)	–	–	(207,284)
Finance costs	–	608	23	631
Exchange realignment	(429)	–	–	(429)
Cash outflow in financing activities:				
Inception of interest-bearing borrowings	–	53,000	–	53,000
Repayment of interest-bearing borrowings	–	(33,000)	–	(33,000)
Repayment to the Controlling Shareholder, net	(64,847)	–	–	(64,847)
Repayment of lease liabilities (including financing components)	–	–	(325)	(325)
Interest paid	–	(608)	–	(608)
At 31 December 2024	6,300	33,000	507	39,807

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of financial assets at FVPL, pledged bank deposits, cash and cash equivalents, amount due to the Controlling Shareholder, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The accounting policies for financial instruments have been applied to the line items below:

	2025 RMB'000	2024 RMB'000
<b><i>Financial assets – at amortised cost</i></b>		
Financial assets included in trade and other receivables	184,534	163,351
Pledged bank deposits	50,687	29,421
Cash and cash equivalents	73,773	26,698
	<b>308,994</b>	219,470
<b><i>Financial assets – at fair value</i></b>		
Financial assets at FVPL	2,234	1,303
<b><i>Financial liabilities – at amortised cost</i></b>		
Financial liabilities included in trade and other payables	174,012	148,741
Amount due to the Controlling Shareholder	–	6,300
Interest-bearing borrowings	40,000	33,000
Lease liabilities	191	507
	<b>214,203</b>	188,548

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk, interest rate risk and price risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk

The carrying amount of financial assets recognised on the consolidated financial statements, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

#### *Trade receivables*

The Group trades only with recognised, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 180 days (2024: 90 days).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2025, the Group had a concentration of credit risk as approximately 46% (2024: 78%) of the total trade receivables was due from the Group's largest trade debtor and approximately 70% (2024: 86%) of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' domicile and abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating the allowance for ECL on trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period.

As part of the Group's credit risk management, the Group has applied internal credit rating for its customers and established a provision matrix that is based on historical credit loss experience having considered the ageing of debtors, adjusted for forward-looking factors specific to the debtors, the economic environment and the domicile of the debtors' countries. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2025 and 2024.

The Group does not hold any collateral over trade receivables at 31 December 2025 and 2024.

None of the trade receivables were written off during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

#### Trade receivables (Continued)

The information about the exposure to credit risk and the allowance for ECL on trade receivables using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers and the domicile of the customers' countries at the end of the reporting period is summarised below.

Internal credit rating ( <i>Remark</i> )	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
<b>At 31 December 2025</b>			
Chinese Mainland of the PRC customers			
– Risk Category 1	2.26%	17,975	407
Russia customers			
– Risk Category 1	5.49%	83,454	4,578
– Risk Category 2	14.72%	12,558	1,848
Other countries customers			
– Risk Category 1	3.85%	30,658	1,179
– Risk Category 2	5.76%	20,323	1,171
		<b>164,968</b>	<b>9,183</b>

Internal credit rating ( <i>Remark</i> )	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
<b>At 31 December 2024</b>			
Chinese Mainland of the PRC customers			
– Risk Category 1	1.57	15,982	251
Russia customers			
– Risk Category 1	4.80	121,341	5,821
Other countries customers			
– Risk Category 1	2.68	14,603	391
		<b>151,926</b>	<b>6,463</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

*Trade receivables (Continued)*

*Remarks:*

<b>Risk Category</b>	<b>Description</b>
Risk Category 1	The debtor has on-going business relationship with the Group with a good credit history. The Group expects the debtor to settle the receivable within one year.
Risk Category 2	The debtor failed to settle on time due to a temporary problem, but the Group expects the problem could be resolved and the outstanding amount could be settled in a foreseeable future.
Risk Category 3	The debtor failed to settle the receivables on time and the situation could not be resolved in a foreseeable future.

The movements in loss allowances for ECL on trade receivables during the reporting periods are summarised below.

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
At the beginning of the reporting period	<b>6,463</b>	1,440
Increase in loss allowance, net	<b>2,720</b>	5,023
<b>At the end of the reporting period</b>	<b>9,183</b>	6,463

During the year ended 31 December 2025, the increase in loss allowance for ECL on trade receivables was mainly due to the increase in amounts of long overdue trade receivables from certain debtors at 31 December 2025 (2024: increase in loss allowances for ECL on trade receivables was mainly due to the increase in gross balances of the trade receivables).

### *Other financial assets carried at amortised costs*

The Group's other financial assets carried at amortised costs include pledged bank deposits, cash and cash equivalents and other receivables in the consolidated statement of financial position.

The Group's pledged bank deposits and cash and cash equivalents include cash at banks and assets with similar nature as cash, of which cash at banks are deposited in major financial institutions located in Chinese Mainland of the PRC and assets with similar nature as cash are deposited in high creditworthy financial institutions located in Chinese Mainland of the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

#### *Other financial assets carried at amortised costs (Continued)*

The management of the Group considers that the other receivables (representing financial assets at amortised cost) have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the allowance for ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the allowance for ECL on other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2025 and 2024.

### Foreign currency risk

The Group's transactions are mainly denominated in RMB and US\$.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The net carrying amounts of those financial assets and liabilities are analysed as follows:

	2025 RMB'000	2024 RMB'000
<b>Financial assets, net</b>		
US\$	35,441	13,702

At 31 December 2025, if the exchange rate of US\$ had increased/decreased by 5% (2024: 5%) against the functional currencies of the respective Group's entities and other variables were held constant, the Group's pre-tax profits would be increased/decreased by approximately RMB1,772,000 (2024: RMB685,000) for the year ended 31 December 2025.

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Foreign currency risk (Continued)

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

The Group's management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the Group's management, the Group would only enter into foreign currency forward contracts should need arise. At the end of the reporting period, the Group had no significant outstanding foreign currency forward contracts.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or less than 1 year RMB'000	1 to 2 years RMB'000
<b>At 31 December 2025</b>				
Trade and other payables	174,012	174,012	174,012	–
Amount due to the Controlling Shareholder	–	–	–	–
Interest-bearing borrowings	40,000	40,294	40,294	–
Lease liabilities	191	194	194	–
	<b>214,203</b>	<b>214,500</b>	<b>214,500</b>	<b>–</b>
<b>At 31 December 2024</b>				
Trade and other payables	148,741	148,741	148,741	–
Amount due to the Controlling Shareholder	6,300	6,300	6,300	–
Interest-bearing borrowings	33,000	33,829	33,829	–
Lease liabilities	507	523	329	194
	<b>188,548</b>	<b>189,393</b>	<b>189,199</b>	<b>194</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk (Continued)

*Note:* The amount repayable under bank loan agreements that included a clause that gave the banks an unconditional right to call the loan at any time are classified under the category of “on demand or less than 1 year”. However, the management of the Group did not expect that the banks would exercise such right to demand the repayment and thus the borrowings, which included the related interests, would be repaid according to the below schedule as set out in the loan agreements.

	2025 RMB'000	2024 RMB'000
On demand or less than 1 year	40,294	15,829
1 to 2 years	–	2,497
2 to 3 years	–	16,440
	<b>40,294</b>	<b>34,766</b>

### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing borrowings with variable interest rate. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 23 to the consolidated financial statements.

At 31 December 2025, if the interest rate for those interest-bearing borrowings with variable interest rate had increased/decreased by 1% and all other variables held constant, the Group's pre-tax profits for the year ended 31 December 2025 would be decreased/increased by approximately RMB400,000 (2024: RMB230,000) as a result of changes in variable interest rate.

The above sensitivity analysis has been determined assuming that the reasonably possible changes in the interest rate has occurred at the beginning of the reporting period and has been applied to the exposure to interest rate risk in existence at the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk because the exposure at 31 December 2025 and 2024 does not reflect the exposure during the years ended 31 December 2025 and 2024.

### Price risk

The Group is exposed to fair value price risk through its investments in commodity future contracts. The directors of the Company manage the exposure by closely monitoring the portfolio of these financial instruments. The fair value of these financial instruments will be affected either positively or negatively, amongst others, by the changes in the fair values of the relevant instruments as resulted from the changes in market values of underlying items. The sensitivity analysis has been determined based on the exposure to price risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Price risk (Continued)

At 31 December 2025, if the fair value of financial assets at FVPL had been 5% higher/lower while all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2025 would be increased/decreased by approximately RMB112,000 (2024: RMB65,000) as a result of changes in fair value of financial assets at FVPL.

The stated changes represent management's assessment of reasonably possible changes in the fair value over the year until the end of the next reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at 31 December 2025 and 2024 does not reflect the exposure during the years ended 31 December 2025 and 2024.

## 31. FAIR VALUE MEASUREMENTS

### (a) Assets/liabilities measured at fair value

#### *Fair value hierarchy*

The following table presents the fair value of the Group's assets and liabilities measured at the end of the reporting period in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "Fair Value Measurement", with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 31. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Assets/liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 31 December 2025</b>				
<i>Recurring fair value measurement</i>				
Financial assets at FVPL				
– Commodity futures contracts on raw materials	2,234	–	–	2,234
Investment properties	–	–	44,199	44,199
<b>At 31 December 2024</b>				
<i>Recurring fair value measurement</i>				
Financial assets at FVPL				
– Commodity futures contracts on raw materials	1,303	–	–	1,303
Investment properties	–	–	44,210	44,210

Movements in Level 3 fair value measurements is as follow:

	Investment properties RMB'000
At 1 January 2024	44,161
Changes in fair value	49
At 31 December 2024 and 1 January 2025	44,210
Changes in fair value	(11)
<b>At 31 December 2025</b>	<b>44,199</b>

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

Details of the valuation techniques and inputs used in the fair value measurement of the financial assets at FVPL and the investment properties are set out in Notes 18 and 13 to the consolidated financial statements, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 31. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Assets/liabilities not measured at fair value

The management of the Group estimates the fair value of its assets and liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of assets and liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair value.

## 32. COMMITMENTS

### (a) Capital expenditure commitments

	2025 RMB'000	2024 RMB'000
Contracted but not provided for net of deposits paid for acquisition of property, plant and equipment	<b>18,152</b>	20,972

### (b) Commitments under leases

*The Group as lessor*

The Group leases out its properties under operating leases with lease terms ranging from one year to three years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	<b>402</b>	255
More than one year but less than two years	<b>183</b>	37
	<b>585</b>	292

## 33. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
<b>Non-current asset</b>			
Investment in a subsidiary		—*	—*
<b>Current assets</b>			
Amounts due from subsidiaries	34(a)	97,893	—*
Other receivables		153	—
Cash at bank and in hand		243	208
		<b>98,289</b>	208
<b>Current liabilities</b>			
Amount due to a subsidiary	34(a)	—	559
Other payables		531	1,509
		<b>531</b>	2,068
<b>Net current assets (liabilities)</b>		<b>97,758</b>	(1,860)
<b>NET ASSETS (LIABILITIES)</b>		<b>97,758</b>	(1,860)
<b>Capital and reserves</b>			
Share capital	26	93	9
Reserves	34(b)	97,665	(1,869)
<b>TOTAL EQUITY (DEFICITS)</b>		<b>97,758</b>	(1,860)

\* Represents amount less than RMB1,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### 34(a) Amounts due from (to) subsidiaries

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

### 34(b) Reserves of the Company

	Share premium <i>(Note 27(a))</i> RMB'000	Translation reserve <i>(Note 27(c))</i> RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	–	–*	–*	–*
Loss for the year	–	–	(1,830)	(1,830)
<b>Other comprehensive loss</b>				
Exchange difference on translation of the Company's financial statements to presentation currency	–	(39)	–	(39)
<b>Total comprehensive loss for the year</b>	–	(39)	(1,830)	(1,869)
<b>At 31 December 2024</b>	–	(39)	(1,830)	(1,869)
At 31 December 2024 and 1 January 2025	–	<b>(39)</b>	<b>(1,830)</b>	<b>(1,869)</b>
Loss for the year	–	–	<b>(1,006)</b>	<b>(1,006)</b>
<b>Other comprehensive loss</b>				
Exchange difference on translation of the Company's financial statements to presentation currency	–	<b>(4,021)</b>	–	<b>(4,021)</b>
<b>Total comprehensive loss for the year</b>	–	<b>(4,021)</b>	<b>(1,006)</b>	<b>(5,027)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### 34(b) Reserves of the Company (Continued)

	Share premium <i>(Note 27(a))</i> RMB'000	Translation reserve <i>(Note 27(c))</i> RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Transactions with owners</b>				
<i>Contributions and distributions</i>				
Issue of shares pursuant to the Capitalisation Issue <i>(Note 26(d))</i>	(61)	-	-	(61)
Issue of shares pursuant to the Global Offering <i>(Note 26(e))</i>	119,186	-	-	119,186
Transaction costs attributable to issue of shares <i>(Note 26(e))</i>	(14,564)	-	-	(14,564)
<b>Total transactions with owners</b>	<b>104,561</b>	<b>-</b>	<b>-</b>	<b>104,561</b>
<b>At 31 December 2025</b>	<b>104,561</b>	<b>(4,060)</b>	<b>(2,836)</b>	<b>97,665</b>

*Note:* During the years ended 31 December 2025 and 2024, the listing expenses of approximately RMB4,931,000 (2024: RMB13,653,000) were borne by the Company's subsidiaries without recharge.

\* Represents amount less than RMB1,000.

## 35. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group has no significant events after the reporting period.

## FINANCIAL SUMMARY

The summary of the published results and of the assets and liabilities of the Group for the last five years is as follows:

### RESULTS

	2025 <sup>(1)</sup> RMB'000	For the year ended 31 December			
		2024 <sup>(1)</sup> RMB'000	2023 <sup>(2)</sup> RMB'000	2022 <sup>(2)</sup> RMB'000	2021 <sup>(2)</sup> RMB'000
<b>Revenue</b>	<b>905,474</b>	752,831	654,560	408,066	263,226
Cost of sales	<b>(590,682)</b>	(519,897)	(457,293)	(296,840)	(206,492)
Gross profit	<b>314,792</b>	232,934	197,267	111,226	56,734
Other income	<b>4,788</b>	5,058	1,734	3,732	3,227
Selling and distribution expenses	<b>(190,702)</b>	(109,373)	(91,136)	(40,669)	(32,250)
Administrative and other operating expenses	<b>(48,068)</b>	(41,723)	(39,635)	(24,114)	(14,887)
(Provision for) Reversal of loss allowance					
on trade receivables, net	<b>(2,720)</b>	(5,023)	728	470	(123)
Changes in fair value of investment properties	<b>(11)</b>	49	1,917	807	27
Fair value (loss) gain on financial assets at FVPL, net	<b>(4,337)</b>	1,443	–	–	–
Gain on disposal/deregistration of subsidiaries, net	<b>–</b>	–	2,494	–	–
Finance costs	<b>(1,380)</b>	(631)	(776)	(548)	(261)
Listing expenses	<b>(4,931)</b>	(13,653)	(5,981)	–	–
<b>Profit before tax</b>	<b>67,431</b>	69,081	66,612	50,904	12,467
Income tax expenses	<b>(11,580)</b>	(14,330)	(8,923)	(9,045)	(2,465)
<b>Profit for the year</b>	<b>55,851</b>	54,751	57,689	41,859	10,002
<b>Profit (Loss) for the year attributable to:</b>					
Owners of the Company	<b>55,851</b>	54,751	58,900	41,860	10,006
Non-controlling interests	<b>–</b>	–	(1,211)	(1)	(4)
	<b>55,851</b>	54,751	57,689	41,859	10,002

## FINANCIAL SUMMARY

### ASSETS AND LIABILITIES

	2025 <sup>(1)</sup> RMB'000	At 31 December			
		2024 <sup>(1)</sup> RMB'000	2023 <sup>(2)</sup> RMB'000	2022 <sup>(2)</sup> RMB'000	2021 <sup>(2)</sup> RMB'000
Total assets	<b>788,996</b>	590,742	519,438	523,892	435,222
Total liabilities	<b>287,717</b>	(245,231)	(436,447)	(498,841)	(451,487)
Total equity (deficits)	<b>501,279</b>	345,511	82,991	25,051	(16,265)
Equity attributable to Owners of the Company	<b>501,279</b>	345,511	82,991	24,531	(16,261)
Non-controlling interests	–	–	–	520	(4)
	<b>501,279</b>	345,511	82,991	25,051	(16,265)

*Notes:*

- (1) The financial figures were extracted from the consolidated financial statements in this annual report.
- (2) The financial figures were extracted from the Prospectus.

## PARTICULARS OF MAJOR PROPERTIES

### INVESTMENT PROPERTIES

Particulars of investment properties held by the Group as at 31 December 2025 and 2024 are as follows:

Location	Approximate Site area (sq.m.)	Approximate gross floor area (sq.m.)	Lease expiry	Type	Group's interest (%)
488 Suzhou North Road, Langya District, Chuzhou City, Anhui Province, the PRC	66,502	18,183	July 2063	Factory and office	100%

### BUILDINGS UNDER PROPERTY, PLANT AND EQUIPMENT

Particulars of buildings under property, plant and equipment held by the Group as at 31 December 2025 and 2024 are as follows:

Location	Approximate Site area (sq.m.)	Approximate gross floor area (sq.m.)	Lease expiry	Type	Group's interest (%)
No. 2 Yihe Road, Jinjiang Economic Development Zone (Food Park) Jinjiang City, Quanzhou, Fujian Province, the PRC	23,185	54,004	July 2074	Factories, office, warehouse and auxiliary facilities	100%
No. 28 Caobing North District, Hongshan Road, Hongshan County, Shishi City, Quanzhou, Fujian Province, the PRC	41,970	17,645	January 2071	Factory and warehouse	100%