



亞東

**Yadong Group Holdings Limited**  
**亞東集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1795

**2025**  
**ANNUAL REPORT**

# CONTENTS

CORPORATE INFORMATION	2
FINANCIAL SUMMARY	4
CHAIRMAN'S STATEMENT	5
MANAGEMENT DISCUSSION AND ANALYSIS	7
BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT	12
REPORT OF DIRECTORS	16
CORPORATE GOVERNANCE REPORT	30
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	44
INDEPENDENT AUDITOR'S REPORT	102
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	107
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	108
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	110
CONSOLIDATED STATEMENT OF CASH FLOWS	111
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	113

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Mr. Xue Shidong (*Chairman of the Board*)  
Mr. Wang Bin  
Mr. Xiang Wenbin  
Ms. Zhang Yeping  
Mr. Jin Rongwei

### Independent Non-Executive Directors

Mr. Zhu Qi  
Mr. Ho Kin Cheong Kelvin  
Ms. Li Jing (appointed on 30 November 2025)  
Mr. Wang Hongliang (resigned on 30 November 2025)

## Board Committees

### Audit Committee

Mr. Ho Kin Cheong Kelvin (*Chairman*)  
Mr. Zhu Qi  
Ms. Li Jing (appointed on 30 November 2025)  
Mr. Wang Hongliang (resigned on 30 November 2025)

### Remuneration Committee

Mr. Zhu Qi (*Chairman*)  
Mr. Xue Shidong  
Mr. Ho Kin Cheong Kelvin

### Nomination Committee

Mr. Xue Shidong (*Chairman*)  
Mr. Zhu Qi  
Ms. Zhang Yeping (appointed on 26 June 2025)  
Mr. Ho Kin Cheong Kelvin (appointed on 26 June 2025)  
Ms. Li Jing (appointed on 30 November 2025)  
Mr. Wang Hongliang (resigned on 30 November 2025)

## Company Secretary

Ms. Li Ching Yi

## Authorised Representatives

Mr. Xue Shidong  
Ms. Li Ching Yi

## Principal Place of Business in the PRC

No. 381 Laodong East Road  
Tianning District, Changzhou  
Jiangsu Province  
China

## Headquarters and Principal Place of Business in Hong Kong

7/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## Registered Office in the Cayman Islands

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### Auditor

SHINEWING (HK) CPA Limited  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
17/F, Chubb Tower, Windsor House  
311 Gloucester Road  
Causeway Bay  
Hong Kong

### Legal Advisers

**as to Hong Kong laws**  
David Fong & Co.  
*Solicitors, Hong Kong*  
Unit A, 12/F  
China Overseas Building  
139 Hennessy Road  
Wanchai  
Hong Kong

### Principal Bank

Jiangnan Rural Commercial Bank

### Stock Code

1795

### Company Website

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

# FINANCIAL SUMMARY

## Results

	2025 RMB'000	Year ended 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	<b>1,073,500</b>	1,078,589	1,078,628	1,060,218	813,810
Cost of sales	<b>(928,863)</b>	(942,134)	(939,776)	(917,317)	(698,669)
Gross profit	<b>144,637</b>	136,455	138,852	142,901	115,141
Profit before tax	<b>45,436</b>	41,976	44,487	63,301	49,084
Profit for the year	<b>37,341</b>	37,023	34,534	49,931	35,167
Profit attributable to owners of the Company	<b>37,871</b>	37,023	34,534	49,931	35,167
Loss attributable to Non-controlling interest	<b>(530)</b>	—	—	—	—

## Assets, Liabilities and Non-controlling interest

	2025 RMB'000	As at 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	<b>1,204,817</b>	864,989	820,501	768,429	673,106
Total liabilities	<b>(826,074)</b>	(571,726)	(544,286)	(509,298)	(444,837)
Non-controlling interest	<b>(33,668)</b>	—	—	—	—
Equity attributable to owners of the Company	<b>345,075</b>	293,263	276,215	259,131	228,269

Notes:

- (a) The financial figures for the year ended/as at 31 December 2025 were extracted from the consolidated financial statements in this annual report.
- (b) The financial figures for the years ended/as at 31 December 2021, 2022, 2023 and 2024 were extracted from the consolidated financial statements in the annual report of the Group for the year ended 31 December 2021, 2022, 2023 and 2024 respectively.

The summary above does not form part of the audited consolidated financial statements.

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Yadong Group Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 December 2025.

## Results of Operation

In 2025, while the global economic environment remained complex with ongoing geopolitical uncertainties, the PRC continued to advance high-quality development and foster new productive forces, thereby maintaining a steady growth path. Notwithstanding the growth supported by the implementation of a series of government policies aimed at expanding domestic demand and promoting consumption, the dyeing and finishing industry in the PRC continued to face challenges. Geopolitical instability and rising domestic production costs have accelerated the relocation of international apparel manufacturing to Southeast Asia. This structural shift has increased pressure on traditional PRC-based operators while offering new opportunities for enterprises that proactively expand overseas.

During the year, the Group's revenue slightly decreased to approximately RMB1,073.5 million (2024: approximately RMB1,078.6 million). Despite the modest decline in revenue, the Group's gross profit increased by approximately RMB8.1 million or approximately 5.9% to approximately RMB144.6 million (2024: approximately RMB136.5 million). The gross profit margin of the Group increased to approximately 13.5% (2024: approximately 12.7%). The Group's profit also increased by approximately RMB0.3 million or approximately 0.8% to approximately RMB37.3 million (2024: approximately RMB37.0 million).

## Outlook

Going forward, the Group is positive about its prospects for 2026. In terms of sales, the Group will further strengthen its sales and marketing efforts in the PRC to capitalise on business opportunities arising from the revival of domestic demand and expand its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the geopolitical instability, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. In response to this trend, the Group successfully completed the acquisition of land use rights for a piece of industrial land in Vietnam in July 2025. The Group has been preparing for the setup of its own manufacturing facility in the acquired land in Vietnam. This strategic expansion will enable the Group to maintain close proximity to its customers' production bases, secure more orders from branded customers, and benefit from lower production costs together with favourable investment policies in Vietnam.



## CHAIRMAN'S STATEMENT

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Going forward, the Group will continue to invest in automation systems to enhance production efficiency, improve product quality and reduce operating costs.

Lastly, the Group believes that, with its solid reputation, diversified product portfolio, strong research and development capabilities and experienced management team, it can achieve sustainable long-term growth and deliver maximum returns to its shareholders.

### Appreciation

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my heartfelt gratitude to all of our business partners, customers, suppliers and shareholders for their continuous support.

**Mr. Xue Shidong**

*Chairman of the Board*

PRC, 27 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS

## Company Profile

The Group is principally engaged in the design, process and sale of textile fabric products, which can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. These textile fabric products feature a variety of different colours, patterns, textures and functionalities. The Group sells its textile fabric products mainly to garment manufacturers as well as trading companies for further processing into finished garments for apparel brand operators. These textile fabric products are mainly sold or distributed in the PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

## Industry Review

In 2025, while the global economic environment remained complex with ongoing geopolitical uncertainties, the PRC continued to advance high-quality development and foster new productive forces, thereby maintaining a steady growth path. According to the National Bureau of Statistics of China, the gross domestic product of the PRC reached RMB140,187.9 billion, representing a year-on-year increase of 5.0%. The total retail sales of consumer goods in the PRC amounted to RMB50,120.2 billion, representing a year-on-year increase of 3.7%, while the retail sales of apparel, footwear, headwear and knitwear reached RMB1,521.5 billion, representing a year-on-year increase of 3.2%.

Notwithstanding the growth supported by the implementation of a series of government policies aimed at expanding domestic demand and promoting consumption, the dyeing and finishing industry in the PRC continued to face challenges. Geopolitical instability and rising domestic production costs have accelerated the relocation of international apparel manufacturing to Southeast Asia. This structural shift has increased pressure on traditional PRC-based operators while offering new opportunities for enterprises that proactively expand overseas.

## Business Review

During the year, the Group's revenue slightly decreased to approximately RMB1,073.5 million (2024: approximately RMB1,078.6 million). Despite the modest decline in revenue, the Group's gross profit increased by approximately RMB8.1 million or approximately 5.9% to approximately RMB144.6 million (2024: approximately RMB136.5 million). The gross profit margin of the Group increased to approximately 13.5% (2024: approximately 12.7%). The Group's profit also increased by approximately RMB0.3 million or approximately 0.8% to approximately RMB37.3 million (2024: approximately RMB37.0 million).

## Prospect

Stepping to 2026, although the international environment remains uncertain, the PRC economy is expected to continue its steady recovery supported by policies aimed at expanding domestic consumption.

Looking ahead, the Group is positive about its prospects for 2026. In terms of sales, the Group will further strengthen its sales and marketing efforts in the PRC to capitalise on business opportunities arising from the revival of domestic demand and expand its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the geopolitical instability, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. In response to this trend, the Group successfully completed the acquisition of land use rights for a piece of industrial land in Vietnam in July 2025. The Group has been preparing for the setup of its own manufacturing facility in the acquired land in Vietnam. This strategic expansion will enable the Group to maintain close proximity to its customers' production bases, secure more orders from branded customers, and benefit from lower production costs together with favourable investment policies in Vietnam.

## MANAGEMENT DISCUSSION AND ANALYSIS

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In addition, the Group will continue to invest in automation systems to enhance production efficiency, improve product quality and reduce operating costs.

With its solid reputation, diversified product portfolio, strong research and development capabilities and experienced management team, the Group is confident of achieving sustainable long-term growth and delivering maximum returns to its shareholders.

### Financial Review

#### Revenue

The revenue of the Group slightly decreased by approximately RMB5.1 million or approximately 0.5% from approximately RMB1,078.6 million for the year ended 31 December 2024 to approximately RMB1,073.5 million for the year ended 31 December 2025.

#### Cost of Sales

The cost of sales of the Group decreased by approximately RMB13.2 million or approximately 1.4% from approximately RMB942.1 million for the year ended 31 December 2024 to approximately RMB928.9 million for the year ended 31 December 2025. Such decrease was primarily attributable to improved cost control and production efficiency.

#### Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately RMB8.1 million or approximately 5.9% from approximately RMB136.5 million for the year ended 31 December 2024 to approximately RMB144.6 million for the year ended 31 December 2025. Such increase was primarily attributable to the decrease in the subcontracting costs during the same period. The gross profit margin of the Group increased from approximately 12.7% for the year ended 31 December 2024 to approximately 13.5% for the year ended 31 December 2025. Such increase was primarily attributable to (i) the effective cost control; and (ii) a slight increase in the average unit price of plain weave fabrics.

#### Other Income

Other income of the Group decreased from approximately RMB9.4 million for the year ended 31 December 2024 to approximately RMB7.3 million for the year ended 31 December 2025. Such decrease was primarily attributable to the absence of net exchange gains (2024: net exchange gain of approximately RMB2.9 million).

#### Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased by approximately RMB0.6 million or approximately 1.7% from approximately RMB35.8 million for the year ended 31 December 2024 to approximately RMB35.2 million for the year ended 31 December 2025. Such decrease was primarily attributable to the effective cost control measures during the same period.

#### Administrative Expenses

Administrative expenses of the Group increased from approximately RMB56.3 million for the year ended 31 December 2024 to approximately RMB58.8 million for the year ended 31 December 2025. Such increase was primarily attributable to the increase in salaries and social insurance contributions for the management personnel during the same period.

#### Finance Costs

Finance costs of the Group increased from approximately RMB11.8 million for the year ended 31 December 2024 to approximately RMB12.5 million for the year ended 31 December 2025. Such increase was primarily attributable to the increase in interest expense of bank borrowings during the same period.

### Income Tax Expenses

Income tax expenses of the Group increased from approximately RMB5.0 million for the year ended 31 December 2024 to approximately RMB8.1 million for the year ended 31 December 2025. Such increase was primarily attributable to the absence of over-provision in respect of prior years which was recognised in 2024.

### Profit

As a result of the foregoing, the profit for the year of the Group increased by approximately RMB0.3 million or approximately 0.9% from approximately RMB37.0 million for the year ended 31 December 2024 to approximately RMB37.3 million for the year ended 31 December 2025.

### Material Acquisitions and Disposal of Subsidiaries and Associated Companies

On 25 July 2025, the Group entered into an acquisition agreement to acquire a company incorporated in Singapore, which holds a controlling interest in a Vietnamese entity possessing the land use rights for a parcel of land in Vietnam. Through this transaction, the Group is positioned to obtain indirect control over the land, which it intends to use for the development of new manufacturing facilities. For details, please refer to the announcement of the Company dated 25 July 2025.

Save as the aforementioned, there were no material acquisitions or disposals of subsidiaries, associates or associated companies during the year ended 31 December 2025.

### Capital Commitments

As at 31 December 2025, the Group had capital commitments of approximately RMB62.9 million, which were mainly related to the acquisition of the plant and machinery.

### Contingent Liabilities

As at 31 December 2025, the Group did not have any significant contingent liabilities (2024: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

### Foreign Exchange Exposure

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk. The Group is also exposed to foreign currency risk which relates principally to its trade receivables, trade and bills payables, other payables and bank balances denominated in foreign currencies other than the functional currency of the relevant Group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing Ratio

As at 31 December 2025, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 68.6% (2024: approximately 66.1%).

### Liquidity and Financial Resources and Capital Structure

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2025, the Group had bank balances and cash of approximately RMB137.3 million (2024: approximately RMB65.0 million). As at 31 December 2025, the current ratio of the Group was approximately 1.0 times (2024: approximately 1.3 times). Such decrease was mainly due to the increase in trade payables and payables for acquisition of property, plant and equipment in connection with the Group's expansion in Vietnam. The financial resources are presently available to the Group including bank borrowings and the net proceeds from the Listing, the Directors believe that the Group has sufficient working capital for the future requirements.

As at 1 January 2025, the Company had an issued share capital of HK\$6,000,000 divided into 600,000,000 shares. The Company's shares were successfully listed on the Stock Exchange on 18 November 2020. There has been no change in the capital structure of the Group during the year ended 31 December 2025.

### Charge on Assets

The total interest-bearing bank borrowings of the Group amounted to approximately RMB373.8 million as at 31 December 2025 (2024: approximately RMB276.4 million).

As at 31 December 2025, the Group's assets amounted to approximately RMB252.3 million was charged (2024: approximately RMB145.0 million) to secure facilities to the Group from banks and financial institutions.

	2025 RMB'000 (Audited)	2024 RMB'000 (Audited)
Buildings	35,192	36,621
Right-of-use assets	122,498	37,116
Investment properties	43,770	45,297
Machineries	50,808	25,960
	<b>252,268</b>	144,994

### Significant Investments Held

On 25 July 2025, the Group entered into an acquisition agreement to acquire a company incorporated in Singapore, which holds a controlling interest in a Vietnamese entity possessing the land use rights for a parcel of land in Vietnam. Through this transaction, the Group is positioned to obtain indirect control over the land, which it intends to use for the development of new manufacturing facilities. For details, please refer to the announcement of the Company dated 25 July 2025.

Except for the Company's investment in various subsidiaries and save as disclosed in this annual report, the Company did not hold any significant investments as at 31 December 2025.

In the future, the Group will continue to identify new opportunities for business development. Save as disclosed in this annual report, as at 31 December 2025, the Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other future plans relating to material acquisitions, investments or capital asset. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

### Employees and Remuneration Policies

As at 31 December 2025, the Group had a total of 597 full-time employees (2024: 569). The Group believes that employees are valuable assets that are crucial to the success of the Group. The Group generally pays its employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. For the year ended 31 December 2025, staff costs of the Group amounted to approximately RMB96.5 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

### Environmental Policies and Performance

The Group's business is subject to the relevant national and local environmental laws and regulations in China, such as the Environmental Protection Law of the People's Republic of China. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in "Regulatory overview" in the prospectus of the Company dated 30 October 2020 (the "**Prospectus**").

During the year ended 31 December 2025, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

### Subsequent Events After Reporting Period

There was no significant event that took place after the year ended 31 December 2025 which requires additional disclosures or adjustments.

### Dividend

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

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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The biographical details of the Directors and senior management are set out as follows:

## Executive Directors

**Mr. Xue Shidong (薛士東)**, aged 63, is the founder of our Group. Mr. Xue was appointed as a Director on 22 September 2016 and re-designated as the chairman of our Board and an executive Director on 22 November 2019. He is mainly responsible for formulating the overall corporate directions, development strategies and business plans and overseeing the operations of our Group.

Mr. Xue had accumulated years of experience in the textile dyeing and finishing industry prior to the forming of our Group in 2011. He currently is a director of each subsidiary of our Group.

**Mr. Wang Bin (王斌)**, aged 55, has joined our Group since April 2016. Mr. Wang was appointed as an executive Director on 22 November 2019. He is mainly responsible for operations and production management of our Group.

From April 1998 to January 2001, he worked for Jiangyin Kangyuan Printing & Dyeing Company Limited (江陰市康源印染有限公司) as a workshop manager. From February 2001 to December 2003, he worked for Changzhou Dongheng Weaving and Dyeing Group Company Limited (常州東恒染織集團有限公司) as a workshop manager. From April 2004 to February 2016, he worked for Changzhou Shengyu Textile Printing and Dyeing Company Limited (常州市盛宇紡織印染有限公司) as the head of production department. In April 2016, Mr. Wang joined our Group and worked as the vice production manager of Yadong (Changzhou) Science & Technology Co., Ltd. (“**Yadong (Changzhou)**”). He currently is a director of Ya Dong (Hong Kong) International Trading Company Limited (“**Yadong (Hong Kong)**”) and Yadong (Changzhou).

**Mr. Xiang Wenbin (香文斌)**, aged 48, was appointed as an executive Director on 26 April 2022.

Mr. Xiang has more than 25 years of experience in information technology. From February 2001 to November 2012, Mr. Xiang worked for Tencent Technology (Shenzhen) Co., Ltd.\* (“**Tencent Technology**”) (騰訊科技(深圳)有限公司), being a subsidiary of Tencent Holdings Limited (stock code: 700), the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, with his last position as a senior management staff of Tencent Technology. Since 2015, Mr. Xiang has acted as the chief executive officer of Shenzhen Shengshi Liuyi Network Technology Co., Ltd.\* (深圳市盛世六一網路科技有限公司), which is principally engaged in the development of online games and software and provision of information technology services, and he is primarily responsible for overall business management, strategic planning and daily operation. Since 2018, Mr. Xiang has also been a director of Chengdu Tengyun Yixiang Technology Co., Ltd.\* (成都騰雲憶想科技有限公司), which is principally engaged in the provision of information system integration services. Besides, he is currently a director of Tencent Cloud (Chongqing) Intelligent Technology Co., Ltd.\* (騰訊雲(重慶)智能科技有限公司), which is principally engaged in the development of software and provision of information technology services.

**Ms. Zhang Yeping (張葉萍)**, aged 56, has joined our Group since March 2014. Ms. Zhang was appointed as an executive Director on 22 November 2019. She is mainly responsible for marketing and sales and customer relationship management of our Group.

Ms. Zhang completed the professional studies in weaving at Jiangsu Changzhou Textile Industry School (江蘇省常州紡織工業學校) in July 1988 and the professional studies in computer information management at Nanjing University (南京大學) in the PRC in July 2001. Prior to joining our Group, Ms. Zhang has worked for Changzhou Dongxia as a sales manager since April 2004. Ms. Zhang has concurrently served as a director and a vice sales manager of Yadong (Changzhou) since March 2014 and January 2015, respectively. Ms. Zhang currently is also a director of Yadong (Hong Kong).

**Mr. Jin Rongwei (金榮偉)**, aged 51, has joined our Group since January 2015. Mr. Jin was appointed as an executive Director on 22 November 2019. He is mainly responsible for procurement and fixed assets management and maintenance of our Group.

From May 2004 to December 2014, he worked for Changzhou Dongxia as the head of electrical and mechanical department. In January 2015, Mr. Jin joined our Group and has been the vice administrative manager of Yadong (Changzhou) since then. He currently is also the supervisor of Yadong (Changzhou).

### Independent Non-Executive Directors

**Mr. Zhu Qi (朱旗)**, aged 54, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Zhu obtained a university diploma in economic management from Nanjing Institute of Politics (南京政治學院) in the PRC in June 2007. Since February 2010, he has worked for Changzhou Sheng Rui Tax Advisory Company Limited (常州市升瑞稅務師事務所有限公司) as an executive director and general manager. Mr. Zhu was an independent director of Jiangsu Lidao New Material Co., Ltd. (江蘇麗島新材料股份有限公司) (stock code: 603937) from 29 January 2015 to 2 February 2021, the shares of which are listed on the Shanghai Stock Exchange.

Mr. Zhu was admitted as member of The Chinese Institute of Certified Public Accountants in November 2009.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Ho Kin Cheong Kelvin (何建昌)**, aged 58, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Ho obtained a bachelor degree of business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in November 1990. From December 2000 to October 2003, he worked for Hanny Magnetics Limited, a subsidiary of Hanny Holdings Limited (currently known as Master Glory Group Limited) (stock code: 0275) at which his last position was financial analyst. From April 2004 to September 2005, he worked for Garron International Limited (currently known as China Investment and Finance Group Limited) (stock code: 1226) as the company secretary and financial controller. From August 2008 to January 2010, he worked for FU JI Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Ltd) (previous stock code: 1175), which was delisted from the Stock Exchange, as company secretary and chief financial officer. From April 2010 to March 2012 and from May 2012 to December 2014, he worked for Greens Holdings Ltd (previous stock code: 1318), which was delisted from the Stock Exchange, at which his last position was company secretary and chief financial officer. From January 2016 to December 2017, he worked for Sand River Golf Club Limited as chief financial officer. From April 2019 to May 2020, he worked for Richly Field China Development Limited (stock code: 0313) as company secretary and chief financial officer. From August 2020 to January 2022, Mr. Ho worked as the company secretary and chief financial officer of HongDa Financial Holding Limited respectively (currently known as China Wood International Holding Co., Limited) (stock code: 1822).

Mr. Ho was an independent non-executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) (stock code: 0199) from October 2001 to May 2003 and a non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822) from April 2016 to April 2017. Mr. Ho was an independent non-executive director of CECEP COSTIN New Materials Group Limited (previous stock code: 2228) from 6 August 2018 to 8 February 2022 and Rosan Resources Holdings Limited (previous stock code: 0578) from 1 July 2020 to 1 November 2022, both were delisted from the Stock Exchange. Since 5 August 2020, he has been an independent non-executive director of Green Leader Holdings Group Limited (stock code: 0061), the shares of which are listed on the Stock Exchange. Since 22 October 2020, he has been an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (stock code: 2126), the shares of which are listed on the Stock Exchange. Since 21 April 2021, he has been an independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (stock code: 2235), the shares of which are listed on the Stock Exchange.

Mr. Ho was admitted as an associate member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in June 1997 and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom in April 2002.

**Ms. Li Jing (李靜)**, aged 53, was appointed as an independent non-executive Director on 30 November 2025.

Ms. Li earned her Bachelor of Laws from Northwest University of Political Science and Law in July 1995. She then obtained a Master of Laws from China University of Political Science and Law in July 2000 and from the University of Freiburg, Germany in April 2004. She was subsequently awarded a Doctor of Philosophy in Laws from Tsinghua University in July 2008.

Ms. Li has over 20 years of experience in legal practice, corporate compliance, and commercial dispute resolution. She is currently a lawyer at Lantai Partners (Beijing)\* (北京市蘭台律師事務所) since April 2021. Prior to that, she was a partner at Tiantai Law Firm (Beijing)\* (北京天馳君泰律師事務所) from October 2014 to March 2021. She served as a legal intern and a lawyer at the Lantai Partners (Beijing) from October 2012 to October 2014. Ms. Li acted as a corporate legal counsel at Yiyang Group Co., Ltd.\* (億陽集團股份有限公司) from March 2011 to October 2012, a legal counsel at China New Era (Group) Corporation\* (中國新時代控股(集團)公司) from July 2008 to August 2010, and a corporate lawyer at Beijing Dacheng Investment Development Co., Ltd.\* (北京大成投資發展有限公司) from July 2000 to July 2001. She was a clerk at Shenyang Dongling District People's Procuratorate\* (瀋陽市東陵區人民檢察院) from August 1995 to August 1997. Ms. Li also serves as an arbitrator for the Quzhou Arbitration Commission\* (衢州仲裁委員會), Zhuhai Court of International Arbitration\* (珠海國際仲裁院), Shaoxing Arbitration Commission\* (紹興仲裁委員會), and Xi'an Arbitration Commission\* (西安仲裁委員會). In 2023, she was recognized as an excellent arbitrator by the Quzhou Arbitration Commission and received the first prize for excellent arbitration award.

### Senior Management

**Mr. Lu Jigang (魯積剛)**, aged 54, is the head of our technical department. He is mainly responsible for overseeing textile dyeing, printing and finishing processes of our Group in the PRC.

Mr. Lu completed the professional studies in dyeing works at Hubei Textile Industrial School (湖北省紡織工業學校) in July 1992. From March 2006 to December 2014, he worked for Changzhou Dongxia as the head of technical department. In January 2015, Mr. Lu joined our Group and has worked as the head of technical department of Yadong (Changzhou) since then.

**Ms. Zhou Jie (周潔)**, aged 49, is the head of our administration department. She is mainly responsible for overseeing the administration and human resources management of our Group.

Ms. Zhou attended the Chinese Trainee Senior Technical Institute (中國研修生高等技能學院) in Japan between 1999 and 2002. From June 2007 to December 2011, she worked for Changzhou Mingqi Garment Company Limited\* (常州茗企服飾有限公司) as a manager. From February 2012 to December 2014, she worked for Changzhou Dongxia as a management associate. In January 2015, Ms. Zhou joined our Group and has worked as the head of administration department of Yadong (Changzhou) since then.

**Mr. Xue Liang (薛梁)**, aged 37, has been appointed as the Chief Financial Officer of the Company with effect from 26 June 2025.

Mr. Xue graduated from Jiangsu University of Technology with a bachelor's degree in human resource management. Mr. Xue Liang has been an employee of Yadong (Changzhou), an indirect wholly-owned subsidiary of the Company since January 2014, with his current position being the general manager and chief financial officer. Mr. Xue Liang has also been a director of Yadong (Hong Kong), an indirect wholly-owned subsidiary of the Company, since July 2022.

Mr. Xue is the son of Mr. Xue Shidong, an executive Director and chairman of the Board. As the sole shareholder of Oriental Ever Holdings Limited, a controlling shareholder of the Company, Mr. Xue Liang indirectly holds 436,353,000 shares of the Company, representing 72.73% of the total issued share capital of the Company, hence, Mr. Xue Liang is a controlling shareholder of the Company.

# REPORT OF DIRECTORS

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The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

## Principal Business

Our Group principally engages in the design, process and sale of textile fabric products. Our textile fabric products can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. Our textile fabric products feature a variety of different colours, patterns, textures and functionalities. We sell our textile fabric products mainly to garment manufacturers as well as trading companies. To the best of our knowledge, during the year ended 31 December 2025, most, if not all, of our textile fabric products were purchased by our customers for further processing into finished garments for apparel brand operators. During the year ended 31 December 2025, our textile fabric products were mainly sold or distributed in the PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

## Results

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements on pages 107 to 178 of this annual report.

## Dividends Distribution

The Company has adopted a dividend policy (the “**Dividend Policy**”) on 21 October 2020. The Company currently does not have any predetermined dividend payout ratio. The Board shall take into account the followings when proposing any dividend payout as written in the Dividend Policy:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate.

In accordance with the articles of association of the Company (the “**Articles of Association**”), dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed.

It is confirmed that all dividend decisions made by the Board were made in accordance with the dividend policy of the Company.

Considering the business development of the Company, the Board does not recommend the payment of any final dividend for the year ended 31 December 2025.

### Tax Relief and Exemption

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

### Annual General Meeting

The AGM will be held on Friday, 26 June 2026. The notice of the AGM will be published and despatched to the Shareholders in due course in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

### Closure of Register of Members

The Company will hold the annual general meeting (the "**AGM**") on Friday, 26 June 2026. The register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 22 June 2026.

### Business Review

A fair review of the business and a discussion and analysis of the Group's performance during the year ended 31 December 2025 and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Management Discussion and Analysis" on pages 7 to 11 of this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2025, if any, can also be found in the notes to the consolidated financial statements in this annual report.

In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Management Discussion and Analysis" of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of Directors.

## REPORT OF DIRECTORS

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### Environmental Policy

With an aim to improve our sewage treatment efficiency, uphold our values in maintaining an environmentally friendly manufacturing process, and reduce our sewage treatment fees, we carried out technical upgrade of our on-site sewage treatment system. Such technical upgrade mainly involved the acquisition of sewage treatment equipment and upgrade of technology. Such upgrade of our sewage treatment system had not caused any major interruption to our operations and production. As advised by our Directors, our business operations have had no significant adverse impact on the surrounding environment during the year ended 31 December 2025, which our Directors believe is mainly attributable to the implementation of the aforesaid environmental policies and measures and the effectiveness of the continuous technical upgrade carried out to our on-site sewage treatment system and our adherence to our environmental policies and measures.

### Financial Summary

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

### Compliance with Laws and Regulations

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, 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 Company and its subsidiaries during the year ended 31 December 2025.

### Relationship with Stakeholders

#### Employees

As at the date of this annual report, we had a total of 597 employees, of which 593 were based in the PRC and 4 were based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

We have a labour union to protect our employees' interest and benefits, assist us in attaining our economic objectives, encourage employees to participate in management decisions and assist us in resolving disputes, if any, with the union members.

We generally enter into employment contracts with each of our employees covering matters such as wages, employee benefits, employment scope and grounds for termination. We also enter into confidentiality and non-compete agreements with members of our senior management, personnel responsible for the design and development activities and/or other employees who have access to secrets or confidential information of our Group.

Our employees undergo internal training to enhance, among others, their technical skills, knowledge of industry quality standards, procedures and protocols relating to quality control, environmental protection, production safety, occupational health and safety standards and the applicable laws and regulations.

We believe that we have maintained a good working relationship with our employees. We do not outsource our labour services. During the year ended 31 December 2025 and up to the date of this annual report, we did not experience any major labour disputes with our employees, disruption to our operations due to labour disputes, work stoppages or strikes, or work safety-related incidents that led to disruptions in our Group's operations, or receive any notices or orders from relevant government authorities or third parties, or receive any claims from our employees.

### **Customers**

Our customers purchasing our textile fabric products principally consisted of garment manufacturers as well as trading companies. Our customers were mainly textile manufacturers and trading companies. We have established stable relationships with our major customers.

We have established good business relationships with some apparel brand operators that are internationally or nationally well-known. Some of our customers (including major customers) are the designated garment manufacturers or the designated trading companies of apparel brand operators who procure raw materials from us at the instructions of such apparel brand operators.

For the year ended 31 December 2025, the Group's sales to its five largest customers accounted for 35% of the Group's total sales and sales to the largest customer accounted for 11%.

### **Suppliers**

The principal raw materials for our production process comprise two broad categories, namely (i) greige fabrics; and (ii) textile dyes and additives such as colourants and dyeing auxiliaries. We purchase our raw materials from local suppliers in the PRC. Our principal raw materials are available from a large number of local suppliers and we have more than one supplier for each type of raw material to reduce reliance on any single supplier.

We consider that it is commercially beneficial to maintain a stable and close business relationship with our suppliers. We have maintained stable business relationships with our top five suppliers during the year ended 31 December 2025.

While it is our strategy to concentrate our purchases of raw materials from a few reliable suppliers so as to ensure the quality and reliability of our raw materials, we generally obtain price quotations from at least three potential suppliers and compare the pricing and terms offered by such suppliers before we place our purchases. We also maintain a list of readily available alternative suppliers for each type of raw materials to reduce over-reliance on any one supplier and to avoid having any disruptions to our supply of raw materials. To avoid any reliance on any one supplier, it is our policy that we generally will not procure from any one single supplier for more than 30% of our total purchasing needs at any one time.

Since 2018, we had been engaging a supplier (a group of companies whose holding company is listed on the Stock Exchange and whose permitted scope of business includes the manufacturing and sales of yarns, greige fabrics, garment fabrics as well as garments, with production facilities located in the PRC and Vietnam) as a supplier to supply the raw materials and manufacture the textile fabric products. Such supplier sources raw materials on its own and manufactures textile fabric products in accordance with our specifications.



## REPORT OF DIRECTORS

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For the year ended 31 December 2025, purchases from the Group's five largest suppliers accounted for 64.4% of the Group's total purchases and purchases from the largest supplier accounted for 23.9%.

Save as disclosed in this annual report, during the year ended 31 December 2025, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Company's five largest customers and suppliers.

### Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2025 are set out in note 33 to the consolidated financial statements.

As at 31 December 2025, the issued share capital of the Company was 600,000,000 Shares.

### Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2025 are set out in note 34 to the consolidated financial statements.

### Distributable Reserves

As at 31 December 2025, pursuant to the relevant laws and regulations, the Company has distributable reserves of RMB318.3 million in total available for distribution.

### Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company as at 31 December 2025 are set out in note 28 to the consolidated financial statements.

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 15 to the consolidated financial statements.

### Sufficiency of Public Float

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

## Pre-Emptive Rights

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

## Directors and Senior Management

The Directors and senior management of the Company during the year ended 31 December 2025 and up to the date of this annual report are set out below:

Name	Position in the Company
<b>Directors</b>	
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Xiang Wenbin	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang (resigned on 30 November 2025)	Independent non-executive Director
Ms. Li Jing (appointed on 30 November 2025)	Independent non-executive Director
<b>Senior management</b>	
Mr. Lu Jigang	Head of technical department
Ms. Zhou Jie	Head of administration department
Mr. Xue Liang (appointed on 26 June 2025)	Chief Financial Officer

To the best of the Board's knowledge, information and belief, the Directors and senior management do not have any relationship amongst them.

In accordance with articles 83(3) and 84(1) of the Articles of Association, Mr. Wang Bin, Mr. Zhu Qi, Mr. Ho Kin Cheong Kelvin and Ms. Li Jing will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the AGM.

None of the retiring Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Biographical details of the Directors and senior management are set out on pages 12 to 15 of this annual report.

## REPORT OF DIRECTORS

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### Directors' Service Contracts and Appointment Letters

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service agreement with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company. The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has or is proposed to have a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

### Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

### Change in Directors' Information

With effect from 26 June 2025, Ms. Zhang Yeping and Mr. Ho Kin Cheong Kelvin have been appointed as a member of the Nomination Committee. For details, please refer to the announcement of the Company dated 26 June 2025.

On 30 November 2025, Mr. Wang Hongliang has resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee due to the change of work arrangements.

Ms. Li Jing was appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee with effect from 30 November 2025. Ms. Li has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 20 November 2025, and she has confirmed that she understood her obligations as a director of a listed issuer.

Save as disclosed in this annual report, there are no other changes to the Directors' and senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2025, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2025, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company (%) <sup>(1)</sup>
Oriental Ever Holdings Limited	Beneficial interest	436,353,000 (L)	72.73%
Mr. Xue Liang	Interest in a controlled corporation <sup>(2)</sup>	436,353,000 (L)	72.73%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Oriental Ever Holdings Limited, which is owned as to 100% by Mr. Xue Liang, directly held 436,353,000 Shares. By virtue of the SFO, Mr. Xue Liang was deemed to have an interest in the Shares held by Oriental Ever Holdings Limited.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any other persons (other than the Directors) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

### Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2025, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### Issuance of Debentures

During the year ended 31 December 2025, no issuance of debentures was made by the Company.

### Directors' and Controlling Shareholders' Interests in Competing Businesses

To the knowledge of the Board, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2025.

Further, Oriental Ever Holdings Limited (東永控股有限公司), a controlling shareholder of the Company, and Mr. Xue Shidong, the executive Director and a controlling shareholder of the Company (collectively, the “**Controlling Shareholders**”) have entered into a deed of non-competition in favour of the Company (for itself and as trustee for the benefit of each of its subsidiaries) on 21 October 2020 (the “**Deed of Non-competition**”), under which the Controlling Shareholders have undertaken to the Company that they will not, and will procure that none of their respective close associates (other than members of our Group) will, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, partnership, joint venture or other contractual arrangement, among other things, carry on, participate or be interested, engaged, concerned or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently engaged by the Group, and any other new business which the Group may undertake from time to time after the Listing (the “**Restricted Business**”), provide support in any form to persons or entities (other than members of our Group) to engage in the restricted business and where they become aware of such engagement of the Restricted Business they shall notify our Company in writing immediately. For details of the Deed of Non-competition, please refer to “Relationship with Controlling Shareholders — Non-competition Undertakings” in the Prospectus.

The independent non-executive Directors have reviewed the compliance with non-competition undertaking by the Controlling Shareholders under the Deed of Non-competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2025. Each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition.

### Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2025 are set out in note 38 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of “connected transaction” or “continuing connected transaction” under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### Directors' Interests in Transactions, Arrangements or Contracts of Significance

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2025 or at the end of the year ended 31 December 2025.

### Controlling Shareholders' Interests in Contract of Significance

No contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2025.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

### Directors' Permitted Indemnity Provision

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended 31 December 2025.

Except for such insurances, at no time during the year ended 31 December 2025 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

### Staff, Emolument Policy and Directors' Remuneration

As of the date of this annual report, we had a total of 597 employees, of which 593 were based in the PRC and 4 were based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2025 are set out in notes 11 and 12 to the consolidated financial statements.

## REPORT OF DIRECTORS

The table below shows the emolument of senior management by band for the year ended 31 December 2025:

<b>Emoluments bands in Hong Kong Dollars (“HK\$”)</b>	<b>Number of Individuals</b>
Nil to HK\$1,000,000	1

### Share Option Scheme

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 October 2020 (the “**Adoption Date**”).

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

#### (a) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

#### (b) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the highest of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

#### (c) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

**(d) Maximum number of Shares**

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the date of this annual report. Therefore, it is expected that our Company may grant options in respect of up to 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) representing 10% of Share in issue as at the date of this annual report, to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

**(e) Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

## REPORT OF DIRECTORS

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**(f) Performance targets**

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

**(g) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof. As at 31 December 2025, the remaining life of the Share Option Scheme is approximately four years and nine months.

**(h) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the year ended 31 December 2025, no share option was granted, exercised, lapsed or cancelled.

### Equity-Linked Agreements

Save as disclosed in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended 31 December 2025.

### Charitable Donations

There was no donation made by the Group during the year ended 31 December 2025.

### Purchase, Sale or Redemption of Listed Securities

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

### Use of Net Proceeds from Listing

The net proceeds from the Listing received by the Company, after deducting the underwriting commissions and expenses paid by the Company, are approximately HK\$81.9 million (the “**Net Proceeds**”). As disclosed in the annual results announcement of the Company for the year ended 31 December 2023, the Net Proceeds had been fully utilised.

### Compliance with the Corporate Governance Code

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 43 of this annual report.

### Audit Committee

The audit committee of the Company has reviewed the Group’s audited financial results for the year ended 31 December 2025 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financing reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2025.

### Auditor

The consolidated financial statements of the Group for the year ended 31 December 2025 have been audited by SHINEWING (HK) CPA Limited.

SHINEWING (HK) CPA Limited shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

The auditor of the Company has not changed in the past three years.

On behalf of the Board

**Mr. Xue Shidong**

*Chairman of the Board*

PRC, 27 March 2026

# CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Since the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules and complied with the applicable code provisions during the year ended 31 December 2025, except for deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

## Board of Directors

The Board is in charge with promoting the success of the Company by overseeing the Group’s businesses, strategic decisions and performance as well as aligning the Company’s culture and making decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the nomination committee (the “**Nomination Committee**”). The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three independent non-executive Directors. The Directors of the Company during the year and as at the date of this Annual Report are listed as follows:

Name	Position in the Company
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Xiang Wenbin	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang (resigned on 30 November 2025)	Independent non-executive Director
Ms. Li Jing (appointed on 30 November 2025)	Independent non-executive Director

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

### **Chairman and Chief Executive Officer**

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. However, the Company at present does not have a chief executive officer. The chairman of the Company is Mr. Xue Shidong.

The overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels and the Board believes that the current management structure enables effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

### **Independent Non-Executive Directors**

Since the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this annual report.

### **Independent View**

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. All Directors may also obtain independent professional advice at the Company's expense to carry out their functions.

### **Appointment and Re-election of Directors**

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service contract with the Company for a term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors was engaged on a letter of appointment for a term of three years commencing from the Listing Date and shall be subject to retirement by rotation once every three years.

All executive Directors and independent non-executive Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to the Articles of Association, at each annual general meeting of the Company 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 and be eligible for re-election, provided that every Director is subject to retirement at least once every three years. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

### **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

### **Continuous Professional Development of Directors**

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2025, the Company distributed training materials prepared by the legal advisers for all Directors. The training materials covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2025 are summarised as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
<b>Executive Directors</b>		
Mr. Xue Shidong	√	√
Mr. Wang Bin	√	√
Mr. Xiang Wenbin	√	√
Ms. Zhang Yeping	√	√
Mr. Jin Rongwei	√	√
<b>Independent non-executive Directors</b>		
Mr. Zhu Qi	√	√
Mr. Ho Kin Cheong Kelvin	√	√
Mr. Wang Hongliang (resigned on 30 November 2025)	√	√
Ms. Li Jing (appointed on 30 November 2025)	√	√

### Board Committees

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

#### Audit Committee

The Audit Committee comprises three members, including three independent non-executive Directors, namely Mr. Ho Kin Cheong Kelvin, Mr. Zhu Qi and Ms. Li Jing. Mr. Ho Kin Cheong Kelvin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and to provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2025, the Audit Committee held three meetings, during which the Audit Committee reviewed the Group's annual results and report for the year ended 31 December 2024 and the Group's unaudited interim results and report for the six months ended 30 June 2025, and discussed significant issues on the financial reporting, operational and compliance controls and the effectiveness of the risk management and internal control systems and internal audit function of the Group.

The Audit Committee also met with the external auditors without the presence of the executive Directors.

#### Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Zhu Qi and Mr. Ho Kin Cheong Kelvin and one executive Director, namely Mr. Xue Shidong. Mr. Zhu Qi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (as amended from time to time).

During the year ended 31 December 2025, the Remuneration Committee held two meetings, during which matters such as the remuneration packages of the Directors, the remuneration package of the new director and other related matters were discussed.

### Nomination Committee

The Nomination Committee comprises five members, including two executive Directors, namely Mr. Xue Shidong and Ms. Zhang Yeping and three independent non-executive Directors, namely Mr. Zhu Qi, Mr. Ho Kin Cheong Kelvin and Ms. Li Jing. Mr. Xue Shidong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and diversity required of the Board annually, assist the Board in maintaining a board skills matrix, and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for Board members, assessing the independence of independent non-executive Directors and to support the Company's regular evaluation of the Board's performance.

During the year ended 31 December 2025, the Nomination Committee held two meetings, during which matters such as structure, size and composition of the Board, and the appointment of new director were discussed. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

In accordance with the Articles of Association, Directors shall be elected by the general meeting with a term of three years and may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

At the expiry of a Director's term, the Director may stand for re-election and re-appointment for further term. Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the Shareholders may dismiss by ordinary resolution any Directors of whom the term of office has not expired (the claim for compensation under any contracts shall, however, not be affected).

The procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of Board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the general manager), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

### Board Diversity Policy and Nomination Policy

The Board has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board has also adopted the nomination policy (the "**Nomination Policy**") which sets out the nomination procedures for selecting candidates for election as Directors. The policy is adopted by the Board and administered by the Nomination Committee.

## CORPORATE GOVERNANCE REPORT

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Selection of Board candidates shall be based on amongst others, character and integrity, qualifications, willingness to devote adequate time and a range of diversity perspectives with reference to the Company's business model and specific needs.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company should also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprised six male Directors and two female Directors, providing the Board with a direct and diversified channel of the opinion from both genders. In addition, the Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and effective leadership, taking into account the extensive experience, skills and knowledge of each Director and the balanced mix of five executive Directors and three independent non-executive Directors.

The Board is of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the Board.

The Nomination Committee will review the implementation and effectiveness of the Board Diversity Policy and the policy for the nomination of directors on an annual basis.

### **Workforce Diversity**

The Group follows the principles of openness and equality and does not discriminate against applicants on the basis of gender, race, age, religious beliefs, and other factors. The Group actively promotes diversity in the workforce and encourages the employment of employees from all backgrounds. The Group has established systematic external and internal recruitment management process to ensure the quality of recruitment and select qualified and outstanding talents.

As at 31 December 2025, the gender ratio in the workforce (including senior management) is 68% (male): 32% (female). For further details of gender ratio together with the relevant data, please refer to the section headed "4.1 Responsible Employment and Safety Assurance" under the Environmental, Social and Governance Report.

### **Corporate Governance Functions**

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2025, the Board had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

## Board Meetings and Directors' Attendance Records

Since the Listing Date, the Company had adopted the practice of holding Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the year ended 31 December 2025 are set out below:

Name of Directors	Attendance/Number of Meeting(s)				
	Board meeting(s)	Audit Committee Meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	General meeting(s)
<b>Executive Directors</b>					
Mr. Xue Shidong	4/4	N/A	2/2	2/2	1/1
Mr. Wang Bin	4/4	N/A	N/A	N/A	1/1
Mr. Xiang Wenbin	4/4	N/A	N/A	N/A	1/1
Ms. Zhang Yeping <sup>(1)</sup>	4/4	N/A	N/A	1/2	1/1
Mr. Jin Rongwei	4/4	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors</b>					
Mr. Zhu Qi	4/4	3/3	2/2	2/2	1/1
Mr. Ho Kin Cheong Kelvin <sup>(1)</sup>	3/4	3/3	2/2	1/2	1/1
Mr. Wang Hongliang (resigned on 30 November 2025)	3/4	2/3	N/A	2/2	1/1
Ms. Li Jing (appointed on 30 November 2025)	1/4	1/3	N/A	0/2	N/A

Note:

(1) With effect from 26 June 2025, Ms. Zhang Yeping and Mr. Ho Kin Cheong Kelvin have been appointed as a member of the Nomination Committee.

Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

## CORPORATE GOVERNANCE REPORT

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The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

### Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

We endeavour to uphold the integrity of our business by maintaining an internal control system as part of our organisational structure. Our internal control and risk management systems cover, among others, corporate governance, operations, management, legal matters, finance and auditing. We engaged an independent internal control consultant (the "**Internal Control Consultant**") to review our internal control system and we have implemented and will continue to implement the relevant suggestions they proposed/propose. The Internal Control Consultant also performed a review of the adequacy and effectiveness of the risk management and internal control systems over our major business processes.

We have adopted and implemented the recommendations provided by the Internal Control Consultant and the Internal Control Consultant has not identified any material findings which may have material impact on the effectiveness of our internal control system.

Based on the result of the Internal Control Review, the Board, as supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2025, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

### Whistleblowing Policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

### Inside Information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

### Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2025.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

### Directors' Responsibility in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

## CORPORATE GOVERNANCE REPORT

### Auditor's Remuneration

The total fee paid/payable to the external auditors of the Company, SHINEWING (HK) CPA Limited and its affiliated firm, in respect of audit services and non-audit services for the year ended 31 December 2025 is set out below:

Category of services	Fee paid/ payable RMB'000
Audit services	1,025
Non-audit services	155
Total	1,180

Note: Non-audit services included mainly the service of agreed upon procedures performed on the Group's interim results.

### Company Secretary

Ms. Li Ching Yi has been appointed as the Company Secretary of the Company with effect from 30 March 2023.

Ms. Li is a senior manager of the Listed & Fiduciary Corporate Services Department of Trident Corporate Services (Asia) Ltd.. She has over 10 years of professional experience in company secretarial field. She is currently a joint company secretary of Laopu Gold Co., Ltd. (老鋪黃金股份有限公司) (Stock code: 6181), Yidu Tech Inc. (醫渡科技有限公司) (stock code: 2158), Pop Mart International Group Limited (泡泡瑪特國際集團有限公司) (stock code: 9992), Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司) (stock code: 6669) and 3D Medicines Inc. (stock code: 1244), all of which are listed on the Stock Exchange.

Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She obtained a bachelor's degree in social sciences in October 2011 from Lingnan University in Hong Kong and a master's degree in professional accounting and corporate governance in July 2015 from City University of Hong Kong in Hong Kong.

The primary contact person of Ms. Li at the Company is Mr. Xue Shidong, chairman of the Board and executive Director.

During the year ended 31 December 2025, Ms. Li has undertaken not less than 15 hours of relevant professional training.

### Communications with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as the chairman of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website ([www.yadongtextile.com](http://www.yadongtextile.com)), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

### Shareholders' Communication Policy

The Shareholders' Communication Policy aims to set out the provisions which ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyse the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

During the year ended 31 December 2025, the Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including the multiple communication channels for the Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' Communication Policy has been properly implemented and effective.

### Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Procedures for Shareholders to Convene Extraordinary General Meeting

Article 58 of the Articles of Association provides that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting to be held two months after the deposit of such requisition, the requisitionist(s) themselves may convene the general meeting 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 them by the Company.

### **Procedures for shareholders to propose a person for election as a director**

For proposal of a person for election as Director, pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Based on this, if a Shareholder wishes to propose a person (the “**Candidate**”) for election as a Director at a general meeting, he/she shall deposit a written notice at the Company’s principal place of business in Hong Kong at 7/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong. The notice must (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

### **Putting Forward Proposals at General Meetings**

There are no provisions in the Articles of Association or in the Companies Act of the Cayman Islands putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to put forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

### **Putting Forward Enquiries to the Board**

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:                   No. 381 Laodong East Road  
                                  Tianning District, Changzhou  
                                  Jiangsu Province  
                                  China  
                                  (For the attention of the Board)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### **Change in Constitutional Documents**

During the year ended 31 December 2025, there had been no significant changes in the constitutional documents of the Company.

### **Dividend Policy**

The Company has adopted a dividend policy on payment of dividends, and details are provided in the "Report of Directors" on page 16 of this annual report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This is the sixth Environmental, Social and Governance (“ESG”) report issued by Yadong Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”, “we”, “us”), which aims to disclose our approach to sustainability management and related performance in 2025. This report has been reviewed and approved by the board of directors (the “Board”) of the Company on 27 March 2026.

### Reporting Standards and Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Code (the “ESG Reporting Code”) as set out in Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), and follows the reporting principles of “materiality”, “quantitative”, “balance” and “consistency”, as well as the “mandatory disclosure” and “comply or explain” provisions of the guide. Unless otherwise stated, the amounts in this report are in RMB.

### Reporting Scope

Unless otherwise stated, this report focuses on the disclosure of the impact of the core business of the Group on the environment and society, the management approach and performance, and the subject area is Yadong Group Holdings Limited. Yadong (Changzhou) Science & Technology Co., Ltd. (“Yadong (Changzhou)”) is the key operating entity of the Group in China, and the major environmental and social impacts of the Group are caused by Yadong (Changzhou). The Reporting Period is from 1 January 2025 to 31 December 2025 (the “Reporting Period”, the “Year”).

### Feedback

This report has been published in both Traditional Chinese and English. In case of any discrepancies between the Traditional Chinese version and the English version, the Traditional Chinese version will prevail. The electronic copy of this report is available on the Group’s website at <http://yadongtextile.com> for download and reading.

## Sustainable Development Governance

### Board Statement

The Board of the Group is the highest responsible and decision-making organisation for the Group’s ESG affairs, and is responsible for co-ordinating and managing the Group’s ESG governance work, and ensuring that the Group’s development strategies and management in ESG are effectively implemented.

During the Reporting Period, the Board undertook the following roles and responsibilities in relation to ESG:

- Guide and approve the ESG implementation plan and overall objectives, and to ensure that they are aligned with the Group’s overall strategy and long-term development goals;
- Review and approve the nature and extent of the Group’s risks (including ESG-related risks and climate-related risks), establish and review the Group’s risk management and internal control systems through the Audit Committee, and report regularly to stakeholders on risk identification and management;
- Responsible for the overall scrutiny and oversight of ESG materiality issues to ensure effective management of relevant issues in the Group’s operations;
- Assess the ESG performance on a regular basis to ensure that the Group’s goals in the areas of environmental protection, social responsibility and corporate governance are effectively implemented.

### ESG Governance Structure

The Group is committed to continuously improving the ESG governance structure, clarifying the management responsibilities and processes in ESG matters at all levels, and integrating climate-related risks and opportunities into the Company's overall risk management and decision-making mechanism to enhance the Group's governance level in ESG.



### Roles and Responsibilities

#### Board:

As the highest level of decision-making, it is responsible for final approval and decision-making on ESG related matters.

#### Audit Committee:

Responsible for oversight of ESG related risks and evaluating the effectiveness of the risk management system.

#### ESG Committee:

Under the guidance of the Board and the Audit Committee, it is responsible for overseeing the management and implementation of the Group's day-to-day ESG issues.

#### ESG Working Group:

Responsible for the Group's day-to-day implementation of ESG issues, and is required to report regularly to the ESG Committee on the progress of its work and make recommendations for decision-making, so as to ensure the continuous promotion of ESG goals. The subsidiaries also have a Safety and Environment Department, which is responsible for environmental monitoring and safety management.

### ESG Management System

To continuously enhance the Group's management level in sustainable development, the Group has proactively established and refined the ESG management system. Through an institutionalised and systematic management mechanism, the Group integrates the ESG concept into daily operations and decision-making processes. The management system covers multiple aspects including ESG strategy formulation, target management, risk identification and assessment, performance monitoring, and continuous improvement, ensuring that the Group's efforts in environmental protection, social responsibility, and corporate governance are effectively advanced.

During the Reporting Year, the Group successfully obtained the ESG Management System Certificate (in compliance with the T/CERDS 5-2023 standard), signifying that the Group has established a standardised management system in terms of ESG governance structure, management processes, and related systems.



## ESG Risk Management

The Group is committed to establishing a comprehensive and effective risk management system to identify, assess, monitor and control various ESG-related risks. To this end, the Group has formulated the “Risk Assessment Management Measures” and incorporated ESG risks into its risk management system to ensure effective risk management and control in terms of organisational structure and management processes.

Various departments of the Company:



### First line of defence

- Each department is responsible for identifying and managing the risks associated with its business area. Based on the risk assessment plan of the internal control department, each department works with the internal management project team to identify and analyse business process risks and determine the corresponding risk response plan.



### Second line of defence

Finance Department and Audit Committee under the Board:

- The Finance Department is responsible for overseeing and evaluating the effectiveness of risk management efforts across departments and business units. The results of these evaluations are presented directly to the Board or its Audit Committee.
- The Audit Committee assists the Board in providing leadership to management and overseeing the design, implementation and monitoring of risk management and internal control systems.



### Third line of defence

The Board:

- The Board has overall responsibility for assessing and determining the nature and extent of risks that the Group is willing to assume.

## Risk System of Yadong Group

According to the nature of business, the ESG risks identified by the Group mainly include environmental risks, climate risks, fraud risks and legal risks. In accordance with the principles of consistency between business strategy and risk strategy, and balancing risk control with operational efficiency and effectiveness, the Group has formulated internal control solutions to address ESG risks in a timely manner, and formulated full-process control measures covering all aspects of the management and business processes involved in significant risks, so as to further strengthen the ESG risk control capability and management effectiveness.

### Environmental Risks

Risks arising from changes in the objective environment, such as changes in policies and regulations, changes in consumer habits and fluctuations in raw material prices.

### Climate Risks

Climate change-related risks, such as acute and chronic physical risks; transformation risks include policy risks, legal risks, technology risks, market risks and reputation risks.

### Fraud Risks

Obtaining an unfair or improper advantage by intentional conduct.

### Legal Risks

Failure to fully and rigorously implement national laws, regulations and policy requirements as well as the securities regulatory requirements of the listing place, and factors affecting the achievement of the compliance targets.

## ESG Pillars of the Group

The Group is committed to promoting sustainable development, and balancing environmental protection, social responsibility and long-term value creation in business operations. We actively align with national policies and regulatory requirements, fulfil corporate legal and social responsibilities, and strive to create a sustainable future and a better life for the communities in which we operate.

The Group has established ESG pillars around two major areas of “Environment” and “Society”, and benchmarks against the United Nations Sustainable Development Goals (“SDGs”) to advance sustainable development efforts in a systematic manner, thereby supporting the achievement of the Group’s long-term sustainable development vision.








Pillar	Alignment to SDGs		Our Objectives
 <b>Green Production</b>		<b>6.4 Significantly increase water-use efficiency</b>	<ul style="list-style-type: none"> <li>• Adoption of optimised water conservation technologies to promote maximum utilisation of water resources</li> <li>• Increase the use of renewable energy to enhance energy efficiency and reduce carbon emissions</li> <li>• Optimise packaging materials, promote the use of recycled materials and reduce resource wastage</li> <li>• Prevent major environmental incidents and conduct regular risk assessments</li> </ul>
		<b>7.2 Increase substantially the share of renewable energy</b>	
		<b>12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse</b>	
		<b>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</b>	
 <b>Responsible Operation</b>		<b>9.b Support technology development, research and innovation</b>	<ul style="list-style-type: none"> <li>• Promote circular economy and breakthrough technologies to enhance economic dynamics</li> <li>• Practise and strictly adhere to business ethics and prevent corruption and bribery</li> </ul>
		<b>16.5 Substantially reduce corruption and bribery in all forms</b>	
 <b>Employee Care</b>		<b>3.8 Achieve universal health coverage, including financial risk protection, and access to quality essential health-care services for all</b>	<ul style="list-style-type: none"> <li>• Provide more job positions with higher stability</li> <li>• Planning for comprehensive employee welfare protection to safeguard the rights and interests of labourers</li> <li>• Conduct safety drills and enhance risk testing</li> <li>• Ensure no major safety incidents</li> </ul>
		<b>8.6 Reduce the proportion of youth not in employment, education or training</b>	
 <b>Give Back to Society</b>		<b>1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters</b>	<ul style="list-style-type: none"> <li>• Care for the rights and interests of community residents and strengthen community solidarity</li> <li>• Promote public donations and maintain social contributions</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Assessment on Materiality Issues

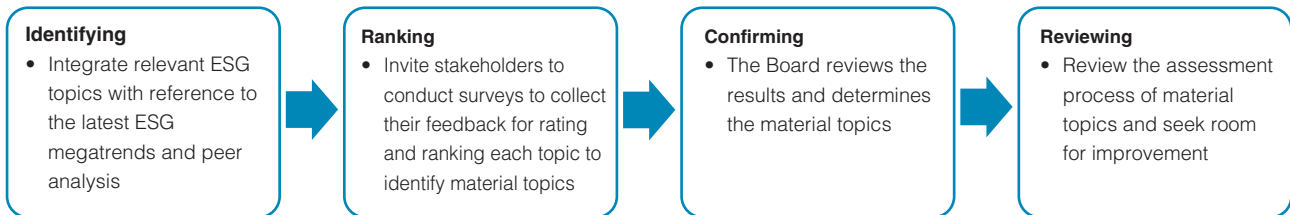
### Stakeholder Engagement

The Group actively maintains communication with various stakeholders through diversified channels to understand the impact of the Group's operations on their decision-making process and how ESG issues affect the Group's operations in order to identify material topics for the Group. The issues of interest to various stakeholders and the channels through which we communicate with them are set out below:

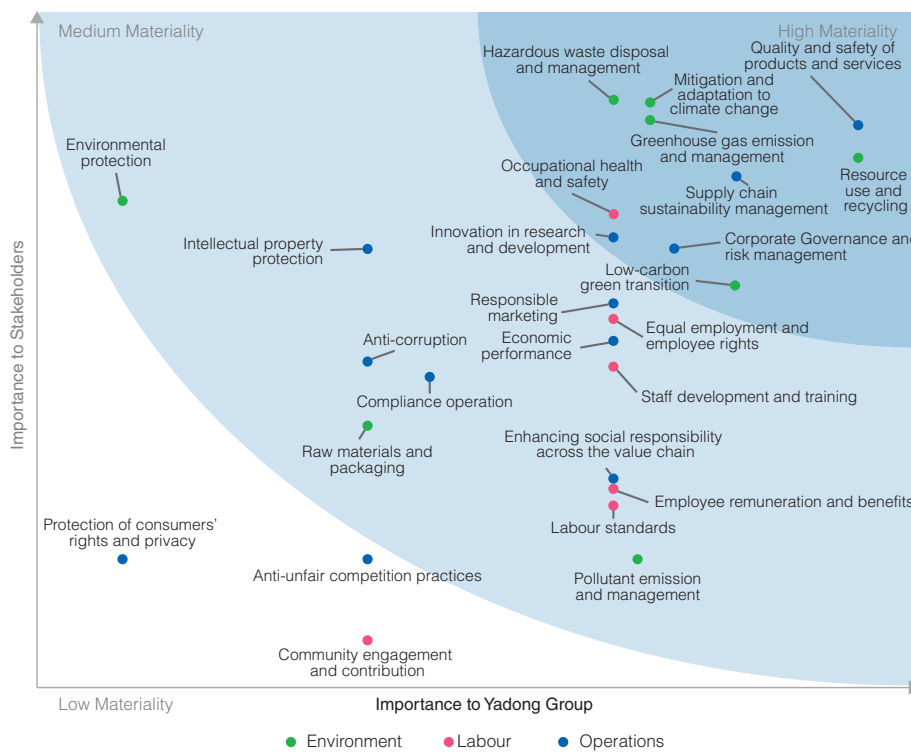
Major Stakeholders	ESG Topics concerned	Communication Channels
 <b>Shareholders/Investors</b>	<ul style="list-style-type: none"> <li>Earnings and returns</li> <li>Compliance operation</li> <li>Information transparency</li> <li>Risk management and control</li> </ul>	<ul style="list-style-type: none"> <li>Annual and regular financial reports</li> <li>General meeting</li> <li>Roadshow</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Quality and safety of products and services</li> <li>Protection of consumers' rights and privacy</li> <li>Responsible marketing</li> </ul>	<ul style="list-style-type: none"> <li>The Group's official website</li> <li>Customer communication meetings</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Equal employment and rights protection</li> <li>Remuneration and benefits</li> <li>Occupational health and safety</li> <li>Development and training</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction survey</li> <li>Labour-management consultation meeting</li> <li>Complaint hotline</li> <li>Anonymous mailbox</li> </ul>
 <b>Suppliers and Partners</b>	<ul style="list-style-type: none"> <li>Sustainable supply chain management</li> <li>Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>Pre-production communication meeting</li> <li>On-site assessment communication</li> </ul>
 <b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>Compliance with national laws and regulations</li> <li>Economic performance</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Regular communication</li> <li>Official website</li> <li>Annual report</li> </ul>
 <b>Industry Associations and Non-Governmental Organisations</b>	<ul style="list-style-type: none"> <li>Innovation in research and development</li> <li>Promotion of industrial development</li> </ul>	<ul style="list-style-type: none"> <li>Participation in industry forums</li> <li>Exchange inspection and visits</li> </ul>
 <b>Media</b>	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Labour standards</li> <li>Consumers' rights</li> </ul>	<ul style="list-style-type: none"> <li>Press conference</li> <li>Media announcement</li> <li>Interviews</li> </ul>
 <b>Community and Public</b>	<ul style="list-style-type: none"> <li>Support to community public welfare</li> <li>Protection of the community environment</li> </ul>	<ul style="list-style-type: none"> <li>Official website</li> <li>Community co-development activities</li> </ul>

### Evaluation Process and Results

The Group develops ESG topics that have a significant impact on the Group and its stakeholders through the process of identifying, ranking, confirming and reviewing ESG topics as an important entry point to achieve the Group’s goal of promoting sustainable development.



After reviewing the results of the previous assessment of material topics by the Board of the Group, the materiality of the topics was ranked according to the dimensions of “Importance to Yadong Group” and “Importance to Stakeholders”, the results of which are visualised as the following matrix of material topics.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Material Topics	Relevant Section
<b>ENVIRONMENTAL</b>	Hazardous waste disposal and management	Green Production — Waste Management
	Mitigation and adaptation to climate change	Green Production — Response to Climate Change
	Greenhouse gas emission and management	Green Production — Response to Climate Change
	Use and recycling of resources	Green Production — Sustainable Management of Resources
<b>GOVERNANCE</b>	Low-carbon green transition	Green Production — Response to Climate Change Green Production — Green Factory Construction
	Quality and safety of products and services	Responsible Operation — Quality Assurance
	Supply chain sustainability management	Responsible Operation — Supply Chain Management
	Corporate Governance and risk management	Sustainable Development Governance — ESG Risk Management
<b>SOCIAL</b>	Innovation in research and development	Responsible Operation — R&D Innovation
	Occupational health and safety	Employee Care — Safety and Health

## Green Production

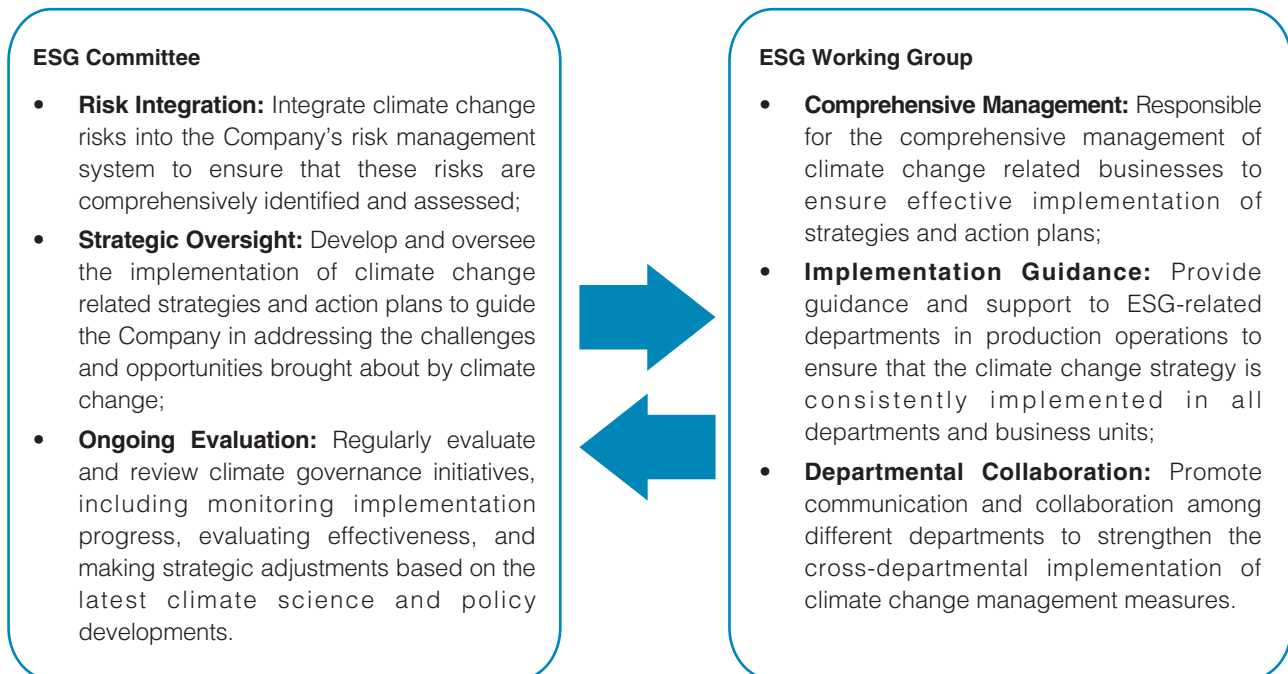
### Response to Climate Change

Climate change has become a key factor affecting the global economy and industrial operations. The Group recognises the potential risks and opportunities that climate change poses to its business operations and supply chain, and continues to optimise management strategies to enhance the competitiveness in a low carbon economy.

To this end, with reference to the International Financial Reporting Standard S2 — Climate-related Disclosures (IFRS S2) issued by the International Sustainability Standards Board (ISSB) and the climate-related disclosure guidelines in Part D of the ESG Reporting Code of the Hong Kong Stock Exchange, the Group systematically promotes climate change management at four levels, namely, governance, strategy, risk management, and metrics and targets, ensuring that climate factors are fully considered in business decision-making and long-term planning.

### Governance

In response to the challenge of climate change, the Group has established a sound climate governance structure. The ESG Committee is responsible for formulating the climate change strategy and overseeing the implementation of the policy to ensure consistency between the strategy and the overall objectives; the ESG Working Group undertakes the function of strategy execution, guiding the implementation of action plans by each department and facilitating cross-departmental collaboration. Through the strategic leadership of the Committee and the collaboration of the Working Group, the Group has established a top-down management system, further enhancing the organisational resilience and execution capability in addressing climate change.



### Strategy

To enhance the systematic and forward-looking assessment of climate-related risks and opportunities, the Group, taking into account the locations of its operations and the characteristics of the textile printing and dyeing industry, adopts climate scenario analysis to identify and assess climate-related risks and opportunities from the short, medium and long-term perspectives, and analyses their potential impacts on the Group's business operations, value chain and financial condition.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Identifying Climate-related Risks and Opportunities

The Group selects scenarios by referring to international authoritative bodies such as the United Nations' Intergovernmental Panel on Climate Change (the "IPCC") and the International Energy Agency (the "IEA"), covering different pathways from low emission to high emission, to assess the levels of physical risks and transition risks faced by the Group under different scenario assumptions.

### Scenarios Used

Shared Socioeconomic Pathways ("SSP") of IPCC's Sixth Assessment Report ("AR6")

#### Physical risks

- Low-emission scenario: SSP1-2.6
- High-emission scenario: SSP5-8.5

IEA

#### Transition risks




- Low-emission scenario: Net Zero Emissions by 2050 Scenario ("NZE"), consistent with the temperature control targets of the Paris Agreement
- High-emission scenario: Fragmented World ("FW")

### Scope and Dimensions of Assessment

The business scope of the climate-related scenario analysis is consistent with the ESG reporting scope for the Reporting Period, covering the Company and its subsidiaries. The Group assesses climate-related risks and opportunities by referring to two dimensions: "degree of potential impact" and "expected occurrence time".

Time horizons for the earliest possible occurrence of risks or opportunities have been identified under scenario analysis. By referring to the Hong Kong Climate Action Blueprint and the "Dual Carbon" goals of China, the Group classifies the time horizons into the short term (before 2030), the medium term (2030–2050), and the long term (2050–2060).

In addition, based on the potential impact of climate-related risks on the Group's business model, value chain and financial condition, the Group classifies the risk levels as follows:

	<b>Lower risk</b>	The risk has limited "potential impact" on the Group within the "expected occurrence time" horizon.
	<b>Medium risk</b>	The risk may have a moderate "potential impact" on the Group within the "expected occurrence time" horizon.
	<b>Higher risk</b>	The risk may have a significant "potential impact" on the Group within the "expected occurrence time" horizon.

## Relevance Assumptions

In the process of identifying and assessing climate-related risks and opportunities, the Group, taking into account its characteristics in business areas such as designing, processing and selling textile fabrics, refers to industry development trends and policy directions, and establishes analytical assumptions and assessment bases for different types of climate issues.

With respect to physical risks, the Group assumes that climate change factors such as extreme weather events, sea level rise and average temperature rise may, over different time horizons, affect printing and dyeing production workshops, storage facilities, logistics arrangements, energy demand, and other aspects, thereby leading to increased maintenance costs, interruption of raw material supply and decreased production efficiency.

With respect to transition risks, the Group assumes that the gradual tightening of carbon emission regulations and climate disclosure requirements, as well as the advancement of low-carbon technology transition, may affect production adjustment, compliance management and operating costs; meanwhile, changes in customer preferences and fluctuations in input costs may alter market demand, thereby affecting the Company's strategic direction.

With respect to transition opportunities, the Group assumes that as social concern about climate change increases, investment in green factory construction and green finance and investment plans will increase, which helps enhance the Group's overall competitiveness and optimise long-term business development. Meanwhile, by promoting the adoption of clean technologies and intelligent management systems in production bases, the Group may improve technology and service efficiency, optimise cost structure, and promote green business and technological innovation.

The above assumptions are used solely to support the analysis and assessment of climate risks and opportunities, and do not constitute forecasts of future climate scenarios, policy changes or operating results. We will review and update the relevant assumptions as appropriate based on business development and changes in the external environment.

## Results of Climate Scenario Analysis

### Climate-related Risks

Physical Risks	SSP1-2.6 Scenario				SSP5-8.5 Scenario			
	Before 2030	2030–2050	2050–2060	Time Horizon of Impact	Before 2030	2030–2050	2050–2060	Time Horizon of Impact
Acute risk — extreme weather events	•	•	•	Long term	•	•	•	Medium to long term
Chronic risk — sea level rise	•	•	•	Long term	•	•	•	Medium to long term
Chronic risk — average temperature rise	•	•	•	Long term	•	•	•	Long term
Chronic risk — change in rainfall patterns	•	•	•	Long term	•	•	•	Medium to long term

Lower risk

Medium risk

Higher risk

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Under the SSP1-2.6 low-emission scenario, all climate-related physical risks identified by the Group are assessed as lower risks in the short term. According to the scenario analysis results, acute risk (such as extreme weather events) and chronic risks (such as sea level rise, average temperature rise and changes in rainfall patterns) have an overall limited potential impact on the Group's operational arrangements and cost structure, and do not show a significant intensifying trend either before 2030 or during the period from 2030 to 2060. Among them, the average temperature rise and changes in rainfall patterns from 2050 to 2060 present medium risk signals, but remain within a controllable range.

Under the SSP5-8.5 high-emission scenario, the cumulative effects of climate change gradually become apparent. Although acute risk (extreme weather events) and chronic risks (sea level rise, average temperature rise and changes in rainfall patterns) may reach medium to high risk levels during the period from 2050 to 2060, based on the existing operational layout and risk management arrangements of the Group, the relevant risks in the short to medium term (before 2030 and from 2030 to 2050) are still assessed as low to medium risk levels. In the future, the Group will continue to strengthen its climate resilience and risk management system to address medium to long-term physical risks, ensuring business resilience and sustainable development under more severe climate scenarios.

Transition Risks	NZE Scenario				FW Scenario			
	Before 2030	2030–2050	2050–2060	Time Horizon of Impact	Before 2030	2030–2050	2050–2060	Time Horizon of Impact
Policy and legal risk — tightening of carbon emission regulations	●	●	●	Medium to long term	●	●	●	Medium term
Policy and legal risk — mandatory climate disclosure requirements	●	●	●	Long term	●	●	●	Medium to long term
Technology risk — low-carbon technology transition	●	●	●	Medium to long term	●	●	●	Medium term
Market risk — changes in customer preferences	●	●	●	Medium to long term	●	●	●	Long term
Market risk — changes in input costs	●	●	●	Medium to long term	●	●	●	Medium term
Reputation risk — rising environmental expectations from stakeholders	●	●	●	Medium to long term	●	●	●	Long term

Lower risk
  Medium risk
  Higher risk

Under the NZE low-emission scenario, the transition risks identified by the Group are generally assessed as lower risks in the short term (before 2030), with certain risks rising to medium risks during the periods from 2030 to 2050 and from 2050 to 2060, reflecting that, against the backdrop of deepening low-carbon transition, the Group needs to progressively enhance its policy response capability, technological competitiveness and market adaptability. Overall, the transition risks exhibit a trend of temporal differentiation, but remain within a manageable range.

Under the FW high-emission scenario, most transition risks in the short term (before 2030) and medium term (2030–2050) remain at low to medium risk levels. However, during the period from 2050 to 2060, several risks will rise to medium to high risk levels, indicating that if the Group fails to complete low-carbon technology transition and policy response in a timely manner, it may face market and reputation risks, thereby affecting its medium to long-term operational stability and market competitiveness.

Overall, transition risks under different scenarios exhibit an upward trend over time. The Group needs to continuously strengthen the low-carbon technology capabilities, policy compliance and market adaptation measures to ensure business resilience and sustainable development under various emission scenarios.

## Climate-related Opportunities

Opportunity	Relevance Assumption	Expected Realisation Time
Green factory construction	We assessed the expected timing for the realisation of climate-related opportunities during the Group's transition towards net zero.	Medium term
Green finance and investment plans		Short to medium term
Technology and service enhancement		Medium term

The Group has identified several climate-related opportunities in the process of low-carbon transition. Green factory construction is expected to be realised in the medium term, helping improve resource utilisation efficiency and energy management. Green finance and investment plans are expected to be progressively implemented in the short to medium term, supporting the Group's sustainable business development. Technology and service upgrades also represent medium-term opportunities, which will further enhance the market competitiveness of the Group's products and services, and drive its business towards low-carbon, efficient and sustainable development.

## Potential Impact

Physical Risks	Impact on Business Model	Impact on Value Chain	Potential Financial Impact
<i>Extreme weather events</i>	<ul style="list-style-type: none"> <li>Increase the frequency of production and logistics disruptions, weaken the stability of delivering products to garment manufacturers as planned;</li> <li>Suppress sales in the short term, forcing customers to urgently seek alternative suppliers, affecting customer stickiness.</li> </ul>	<ul style="list-style-type: none"> <li>Supply of raw materials such as greige fabric and dyes is affected by the weather, resulting in transportation delays;</li> <li>Finished fabrics are piling up at the port and cannot be shipped to overseas customers on schedule.</li> </ul>	<ul style="list-style-type: none"> <li>Extreme weather may cause plant shutdowns, leading to order delays and directly affecting sales revenue. Heavy rainfall and floods may cause the fabric inventory to be scrapped due to moisture or dyeing damage, resulting in financial losses;</li> <li>Disaster affecting upstream raw material production areas leads to increased procurement costs.</li> </ul>
<i>Sea level rise</i>	<ul style="list-style-type: none"> <li>If some production or warehousing facilities are located in low-lying coastal areas, the physical security of assets will be challenged over the long term, affecting long-term production capacity planning.</li> </ul>	<ul style="list-style-type: none"> <li>Climate exposure will become an important long-term consideration when the Group selects logistics partners or warehouses.</li> </ul>	<ul style="list-style-type: none"> <li>The Group's major distribution markets or core ports may experience chronic floods, leading to passive reduction or cancellation of orders;</li> <li>Insurance companies may increase premiums for the transportation link.</li> </ul>
<i>Average temperature rise</i>	<ul style="list-style-type: none"> <li>As printing and dyeing workshops have strict requirements for temperature and humidity, rising temperatures will affect production efficiency and first-pass yield of products.</li> </ul>	<ul style="list-style-type: none"> <li>We need to invest more energy at the production side to maintain a constant temperature and humidity environment.</li> </ul>	<ul style="list-style-type: none"> <li>Increased electricity consumption leads to higher operating costs;</li> <li>More investment should be made in providing heatstroke prevention and cooling measures for frontline employees, raising labour costs.</li> </ul>
<i>Changes in rainfall patterns</i>	<ul style="list-style-type: none"> <li>Frequent heavy rainfall or floods may cause waterlogging in plant areas, affecting production continuity and the stable operation of sewage treatment facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Abnormal rainfall can disrupt the output and price of upstream natural fibres such as cotton, thereby affecting the procurement cost and supply stability of greige fabric.</li> </ul>	<ul style="list-style-type: none"> <li>Extreme lack of precipitation leading to water scarcity may cause raw material production cuts, pushing up the upstream procurement costs.</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Transition Risks	Impact on Business Model	Impact on Value Chain	Potential Financial Impact
<b>Policy and Legal Risks</b>			
<i>Tightening of carbon emission regulations</i>	<ul style="list-style-type: none"> <li>Production model needs to shift from solely considering cost to comprehensively considering "cost + carbon emissions". Traditional printing and dyeing methods with high carbon emissions will face higher compliance costs, weakening price competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Downstream brand customers will prioritise low-carbon fabrics, forcing upstream suppliers to reduce carbon emissions;</li> <li>Suppliers of dyes and auxiliaries need to provide low-carbon and environmentally friendly products.</li> </ul>	<ul style="list-style-type: none"> <li>Additional carbon emission compliance fees may be required to be paid;</li> <li>Failure to meet requirements in a timely manner may result in fines or other forms of legal liability, leading to increased expenditure.</li> </ul>
<i>Mandatory climate disclosure requirements</i>	<ul style="list-style-type: none"> <li>International brand customers will require the disclosure of product carbon footprints, making carbon management shift from back-office compliance to a necessary condition for front-end order taking.</li> </ul>	<ul style="list-style-type: none"> <li>This will prompt Yadong to request carbon emissions data from upstream suppliers (e.g. greige fabric mills), enhancing transparency across the value chain.</li> </ul>	<ul style="list-style-type: none"> <li>Costs for report preparation, third-party audits and system upgrades may rise significantly;</li> <li>If disclosed information indicates inadequate climate management, it may harm the reputation of Yadong Group, affecting share price and customer confidence.</li> </ul>
<b>Technology Risks</b>			
<i>Low-carbon technology transition</i>	<ul style="list-style-type: none"> <li>Shift from reliance on traditional dyeing processes (high water and energy consumption) to technology-driven production models such as waterless dyeing, low liquor ratio dyeing and recycled fibre applications.</li> </ul>	<ul style="list-style-type: none"> <li>Promote upstream supply of sustainable raw materials such as recycled polyester and Tencel, forming a green supply chain over the long term.</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of low-carbon technologies requires substantial upfront investment, increasing the Group's capital expenditure in the short term.</li> </ul>

Transition Risks	Impact on Business Model	Impact on Value Chain	Potential Financial Impact
<b>Market Risks</b>			
<i>Changes in customer preferences</i>	<ul style="list-style-type: none"> <li>Maintaining a competitive edge solely through price and delivery time is difficult. Brand customers will prioritise suppliers with GRS (Global Recycled Standard) or organic cotton certifications; traditional high-carbon fabrics will find it difficult to enter their procurement lists.</li> </ul>	<ul style="list-style-type: none"> <li>Increased focus on sustainability by brand customers will lead to a surge in demand for environmentally friendly fibres such as Tencel and lyocell, causing tighter raw material supply and higher prices.</li> </ul>	<ul style="list-style-type: none"> <li>Failure to undergo low-carbon transition in a timely manner may expose the Group to the risk of shrinking market share and declining revenue;</li> <li>Higher market access thresholds may exclude non-compliant products from the market, resulting in customer loss.</li> </ul>
<i>Changes in input costs</i>	<ul style="list-style-type: none"> <li>As procurement costs for traditional fossil fuels and compliant dyes and chemical materials rise significantly, the Group's business model must shift from "relying on economies of scale" to "lean production and high-value-added processing" to absorb escalating operating costs.</li> </ul>	<ul style="list-style-type: none"> <li>Upstream suppliers of dyes, chemicals and energy will pass on their compliance and emission reduction costs, increasing the Group's direct procurement expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Re-procurement of compliant raw materials will lead to higher costs;</li> <li>Fluctuations in energy prices will push up production costs.</li> </ul>
<b>Reputational Risks</b>			
<i>Rising environmental expectations from stakeholders</i>	<ul style="list-style-type: none"> <li>Poor environmental performance (e.g., sewage discharge issues) may lead to restricted financing, loss of brand clients, or even community concerns, affecting operating permits.</li> </ul>	<ul style="list-style-type: none"> <li>Drive the entire supply chain, especially the upstream printing and dyeing processing links, towards higher environmental standards.</li> </ul>	<ul style="list-style-type: none"> <li>Negative reputation may lead to customer loss, thereby affecting the Group's revenue;</li> <li>Persistent negative public opinion may damage the brand value of Yadong Group, weaken its market reputation, and hinder new customer acquisition and business expansion.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-related Opportunities	Impact on Business Model	Impact on Value Chain	Potential Financial Impact
<i>Green factory construction</i>	<ul style="list-style-type: none"> <li>The business model will shift from a traditional high-energy, high-water-consumption model to a resource-recycling model;</li> <li>Significantly reduce the production processes' reliance on external water supply constraints and conventional fossil energy, thereby enhancing the Group's long-term operational resilience against fluctuations in resource prices and policy restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>The procurement structure will naturally tilt towards green equipment and clean energy suppliers, forming a more environmentally friendly supply network.</li> </ul>	<ul style="list-style-type: none"> <li>The introduction of green facilities and new energy, such as solar power generation and energy efficiency management systems, can reduce energy consumption and save long-term operating costs;</li> <li>Green factories may receive government subsidies or tax reductions, lowering compliance and development costs.</li> </ul>
<i>Green finance and investment plans</i>	<ul style="list-style-type: none"> <li>Reduce overall financing costs and provide flexible and stable liquidity support for long-term environmental facility upgrades, thereby enhancing financial health.</li> </ul>	<ul style="list-style-type: none"> <li>Deepen the cooperation with upstream suppliers of environmentally friendly dyes and chemicals, and enhance bargaining power;</li> <li>Offer downstream customers more cost-effective pricing room for low-carbon fabrics.</li> </ul>	<ul style="list-style-type: none"> <li>Financing through green finance channels may secure more favourable financing terms, thus lowering capital costs;</li> <li>Green bonds and low-carbon project financing provide a reliable source of funding for the Group's sustainable development projects, enhancing financial liquidity.</li> </ul>
<i>Technology and service enhancement</i>	<ul style="list-style-type: none"> <li>Improved product yield; the energy consumption per unit of production is substantially reduced; and leapfrog progress is achieved in overall delivery time and production efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate the formation of deeper strategic dependence and technology integration between the Group and advanced printing and dyeing equipment manufacturers.</li> <li>More precisely match downstream apparel brands' stringent demands for both "fast-fashion delivery time" and "sustainable eco-friendly materials", thereby expanding premium market share.</li> </ul>	<ul style="list-style-type: none"> <li>Application of intelligent systems enables more precise energy use, reducing resource waste and re-dyeing rates caused by human error;</li> <li>Advanced processes help the Group enter the high-margin functional and fashion fabric markets.</li> </ul>

### Risk Management

In order to effectively manage and reduce the risks associated with climate change, the Group has established a comprehensive climate risk management mechanism that includes a systematic management process from identification, assessment, monitoring to the formulation of countermeasures, and has formulated a series of countermeasure strategies and contingency plans in response to a variety of extreme climate events and natural disasters.

#### Responding to the risk of extreme weather

- Set up an emergency response team to deal with unexpected climate events. This includes the formulation of contingency plans, such as dredging of pipes, preparation of sandbags in advance and other flood prevention measures during winter, as well as reinforcement and cleaning of buildings during summer, in order to prevent potential damages from extreme weather.
- Conduct regular risk assessments and inspections of key risk points for infrastructure.

#### Managing human and material costs

- Review global and local policies and regulations, technological developments and market trends to identify potential financial impact risks and opportunities;
- Actively participate in the formulation of relevant industry policies and implement internationally recognised management systems to ensure adaptability and preparedness for climate-related risks.

#### Actively responding to market changes

- Conduct market research and pay close attention to climate-related market trends. Adjust product strategies according to changes in market demand to meet consumer demand for environmentally friendly products, thereby increasing the Group's competitiveness and market share.

#### Enhancing supply chain security

- Conducts supply chain assessments to evaluate climate-related risks in the supply chain and to identify alternative sources of supply. The Group requires suppliers to take precautionary measures against climate-related risks and conduct risk assessments to cope with possible extreme weather events in the future.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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### Metrics and Targets

The Group places great emphasis on the impact of climate change on operations and sustainable development, and continues to enhance climate-related management and monitoring mechanisms. The Group has progressively established a management foundation covering energy use and greenhouse gas emissions. Through regular collection and analysis of relevant data, the Group monitors the environmental impact during the operation process, and uses this as an important basis for formulating emission reduction measures and improving energy use efficiency.

At present, the Group has commenced the identification and management of Scope 1 and Scope 2 greenhouse gas emissions, and continues to closely monitor key environmental indicators including energy consumption and greenhouse gas emissions, so as to understand its carbon emission performance during production and operations. For detailed disclosure of the relevant energy use and emission data, please refer to the “Green Production — Sustainable Management of Resources” and “Green Production — Emissions Management” sections of this report.

As the Group is still in the process of gradually refining the climate management system, Scope 3 greenhouse gas emissions have not been included in the disclosure scope for the Reporting Year. In the future, the Group will continue to monitor international climate-related disclosure trends and regulatory requirements, progressively improve the carbon emission management and data collection mechanisms, and assess the feasibility of identifying and disclosing Scope 3 emissions, so as to further enhance the completeness and transparency of climate-related disclosures.

Meanwhile, the Group will continue to improve energy use efficiency through measures such as energy conservation and emission reduction, equipment optimisation, and production efficiency enhancement, gradually reducing the carbon intensity during operations. The Group will also formulate more specific climate-related targets at an appropriate time in the future to support its long-term, low-carbon development.

### Environmental Management System

The Group strictly complies with national and local laws and regulations related to environmental protection<sup>1</sup> and is committed to building an efficient and comprehensive environmental management system to minimise the impact of its business operations on the environment, promote resource conservation and ecological protection, and advance sustainable development.

In order to achieve the above objectives, the Group has obtained ISO 14001 environmental management system and ISO 50001 energy management system certifications, and has deeply integrated environmental management measures into its daily operation processes. Through clear strategic directions and scientific indicators, we effectively monitor and manage environmental performance.

In addition, the Group has formulated the Environmental Protection Management System, which is applicable to each of the Company’s sewage discharge workshops and the departments where the environmental protection facilities are located. The safety and environmental protection officer of the administrative office is responsible for environmental protection, and all relevant departments and personnel are required to cooperate in executing environmental management measures. The Company also regularly accepts the monitoring by the environmental protection department and continuously strengthens the supervision and management of environmental quality based on the monitoring report.

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<sup>1</sup> Please refer to the section headed “Applicable Laws and Regulations” for the relevant laws and regulations.

## Environmental Management Targets

To effectively minimise the environmental impact of our business activities, we have set specific environmental management targets to continuously improve our environmental performance and promote green transformation.



### Energy Saving

To achieve energy conservation and utilisation targets through equipment modification.



### Air Emissions

Optimise the waste gas treatment facilities to ensure that the emissions are in compliance with the regulations.



### Water Conservation

To achieve water conservation targets through water recycling and other processes and facilities.



### Waste Management

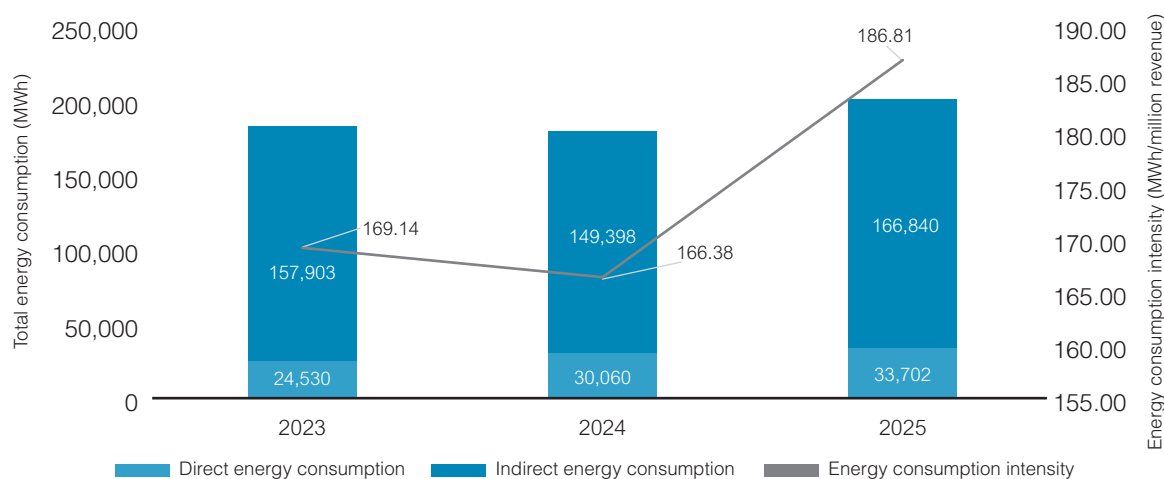
Committed to reducing the Company's waste generation through recycling and other means.

## Sustainable Management of Resources

### Energy Use

Improving energy efficiency is a key measure to mitigate the impact of climate change. The Group has established the Energy Management System to optimise energy use efficiency in its operations. The Group's main energy sources include natural gas, purchased electricity, and purchased steam. During the Reporting Period, total energy consumption amounted to 200,541 MWh, with an energy consumption intensity of 186.81 MWh/RMB million revenue.

**Energy Consumption**



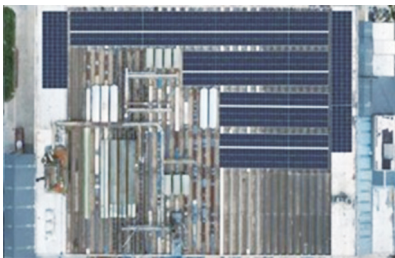
### Energy Saving and Emissions Reduction Initiatives

The Group continues to optimise the energy structure and actively explores the application of renewable energy to support sustainable development goals. The first and second phases of photovoltaic (PV) project of Yadong (Changzhou) have been put into operation, achieving an annual cumulative power generation of 690,962.90 kWh, which corresponds to a reduction of approximately 366 tonnes of carbon dioxide emissions<sup>2</sup>, thereby making a positive contribution to climate change mitigation.

<sup>2</sup> The latest annual national grid average emission factor is 0.5306 tCO<sub>2</sub>/MWh, and the photovoltaic power generated in Yadong (Changzhou) is 690,962.90 kWh, which is equivalent to a reduction of approximately 366 tonnes of CO<sub>2</sub> when converted.

The PV system adopts a Building Integrated Photovoltaic (BIPV) installation model, integrating PV modules with the building's roof structure. While generating electricity, the system also provides roof shading and waterproofing functions, helping to extend the service life of the roof, improve overall energy use efficiency, and reduce the dependence on conventional energy.

In addition, an energy storage project has also been put into operation by Yadong (Changzhou) to further enhance the energy management. The system charges during off-peak electricity consumption periods and discharges during peak periods, enabling effective storage and dispatch of electrical energy. As a result, it optimises the electricity consumption structure and energy use efficiency, while also generating certain economic benefits for the enterprise.



**PV Power Generation Plant Rooftop of Yadong (Changzhou)**



**Energy Storage Project**

The Group continuously optimises the energy structure, and through equipment retrofitting, configuration optimisation, and the application of energy-saving technologies, steadily enhances energy use efficiency to achieve the energy conservation targets. We have implemented multiple measures across the Group's various plants to reduce energy consumption and improve operational efficiency:

### Utilising a thermal system to reduce steam temperature and pressure

- To address the issue of low thermal system efficiency caused by overheated purchased steam, Yadong (Changzhou) utilised a temperature and pressure reduction system to convert steam into saturated steam before it reaches the heat-using equipment, thereby improving the thermal efficiency of the thermal system and achieving energy conservation. Compared with the previous reporting year, the Group saved a total of 28,092 tonnes of steam in this Reporting Year, saving costs of approximately over RMB7 million.

### Utilising a compressed air system for waste heat recovery

- By modifying the internal oil circuit of the air compressor and installing an external heat exchanger, the residual heat from the air compressor cooling system is recovered and utilised to heat tap water. The heated water is then circulated through a circulation pump to an insulated water tank for use by employees for bathing.

### Wastewater heat recovery system

- For the hot wastewater generated by the dyeing and printing process, the Company uses counterflow or crossflow heat exchange between wastewater and industrial water to reduce the temperature of the wastewater. The clean water then absorbs heat from the heat exchanger and supplies it to the machinery, thereby reducing steam consumption.

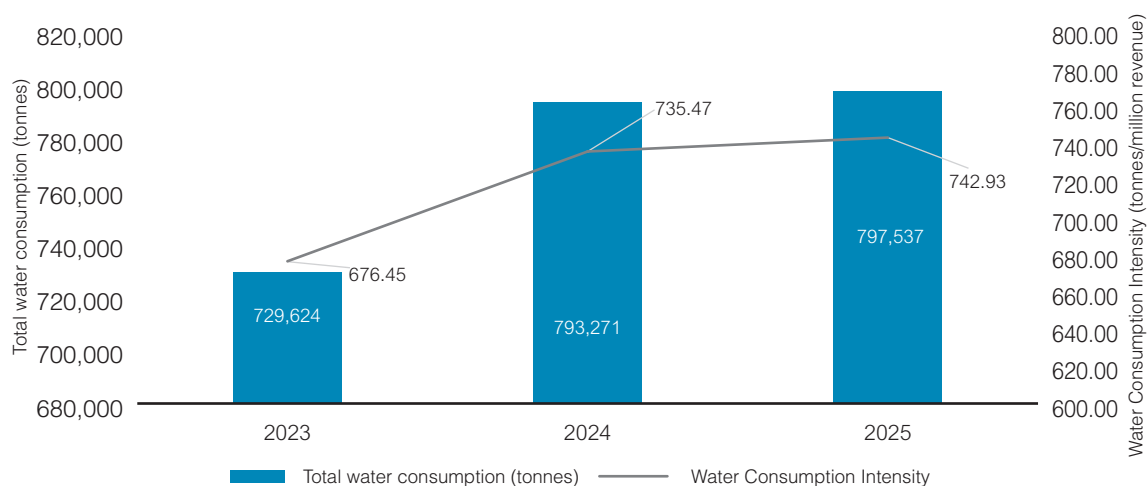
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Water Utilisation

The Group places great emphasis on the sustainable use of water resources and regards water resource management as an important part of the operational management and environmental protection. To reduce overall water consumption, the Group has implemented various measures to effectively utilise water resources, including the recycling of steam condensate and cooling water from high temperature air-flow atomised dyeing machines, sanding machines and heat-setting machines; and the equipment of temperature and pressure reduction device for the steam condensate system to enable refined water resource management. In addition, part of process water is piped to the singeing workshop, where it is used for the water membrane dust collector, further saving fresh water.

The Group has been certified as a “Water-Saving Enterprise in Jiangsu Province” by the Jiangsu Provincial Department of Water Resources, in recognition of its efforts in conserving water and improving water efficiency. In 2025, the total water consumption of Yadong (Changzhou) was 797,537 tonnes, with a water consumption intensity of 742.93 tonnes per RMB million revenue. We will continue to strengthen water resource management through water recycling and other water-saving processes and facilities, thereby achieving water conservation targets.

### Water Consumption



### Packaging Material Utilisation

The Group actively promotes material recycling and fully recovers various types of materials generated during the production process, including packaging materials and waste resources. The collection, handling, storage, and recycling of packaging materials are carried out jointly by logistics staff and production departments, who screen and sort used paper tubes and packaging bags for recycling within the plant.

For dyeing and chemical packaging bags that are relatively clean and easy to clean, we wash and sort them for reuse, thereby reducing resource waste. Packaging materials that cannot be reused are sent to third parties for unified recycling and disposal. Through the above measures, we aim to improve the utilisation efficiency of packaging materials, reduce the demand for new packaging materials, and promote sustainable resource management.

### Emissions Management

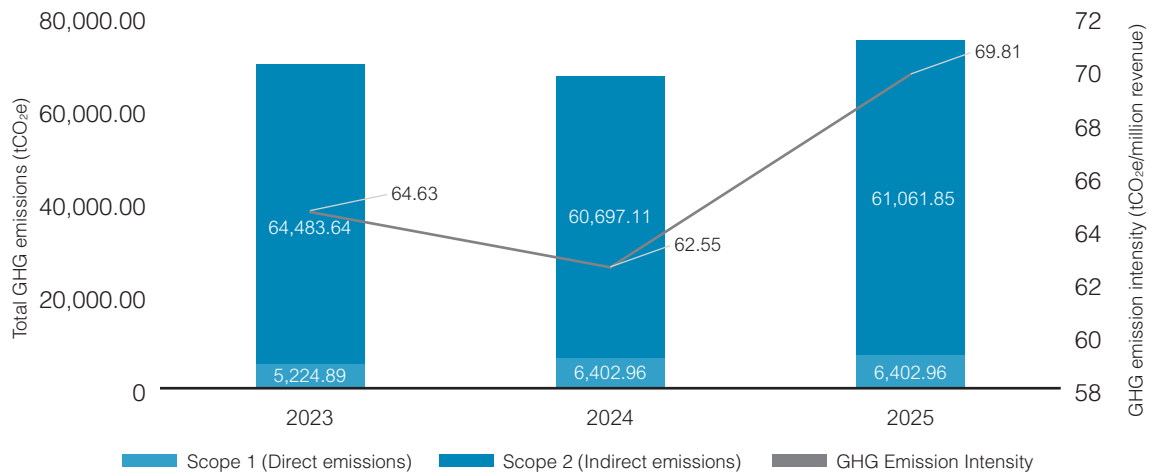
The Group strictly complies with national and local management requirements on emissions and its internal Environmental Protection Management System to strictly regulate various types of emissions in its production operations, eliminate the occurrence of serious pollution incidents, and embed the concept of green development throughout its operations.

#### Greenhouse Gas Emissions

In response to the national carbon peak and carbon neutrality (“**dual carbon**”) goals, the Group has formulated and implemented greenhouse gas emission reduction plans, promoting the green and low-carbon transformation. During the Reporting Period, the total greenhouse gas emissions of the Group amounted to 74,941.23 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), representing an increase of approximately 11% as compared with last year.

Among them, Scope 1 emissions are mainly derived from fuel combustion from sources owned or controlled by the enterprise, including gasoline and diesel used in vehicles, as well as natural gas consumed during production processes. Emissions for the current year amounted to 7,029.35 tCO<sub>2</sub>e. Scope 2 emissions are primarily indirect emissions generated from purchased electricity and purchased heat during the Group’s operations, amounting to 67,911.88 tCO<sub>2</sub>e. Overall, Scope 1 and Scope 2 emissions accounted for approximately 9% and 91% of the Group’s total greenhouse gas emissions, respectively.

**Total GHG Emissions and Intensity**



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Air Emissions

The main sources of emissions in Yadong (Changzhou) are Volatile Organic Compounds (VOCs), particulate matters, oil fumes, and benzene series generated from the heat-setting process and singeing process in the production workshops, as well as vehicle exhaust emissions. The Group has obtained an emission permit from the Changzhou Environmental Protection Bureau and strictly complies with its emission standards and limits to ensure that the environmental impact of our production activities is minimised.

To systematically manage waste gas emissions, the Group has formulated a pollution source monitoring plan in accordance with the General Rules of Technical Guidelines for Self-monitoring by Pollutant Discharging Unit HJ 819-2017, and conducts regular emission monitoring and reporting to ensure the accuracy and reliability of monitoring data. During the production process, Yadong (Changzhou) has been equipped with six sets of waste gas treatment facilities, including fully automatic fume purification equipment, bag-type dust collector and exhaust gas purification equipment.

In addition, the Group continues to optimise and upgrade pollution prevention and control facilities, retrofitting and enhancing the waste gas treatment systems in sewage treatment and production workshops to further improve waste gas treatment efficiency and reduce pollutant emissions. All treated waste gas is discharged in compliance with relevant requirements and standards, ensuring that production activities comply with environmental protection standards.



Waste gas treatment device at the sewage station of Yadong (Changzhou) before renovation



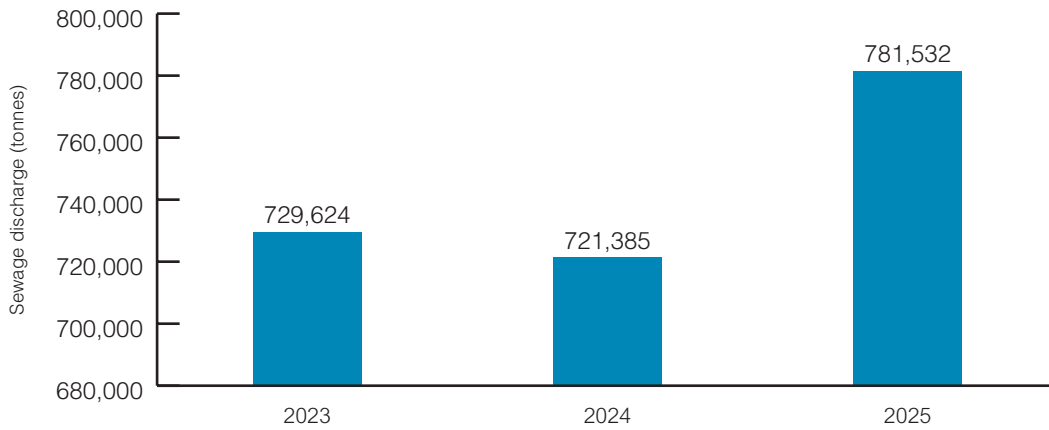
Waste gas treatment device at the sewage station of Yadong (Changzhou) after renovation

During the Reporting Period, the Group generated 0.92 kg of sulphur oxides, 934.99 kg of nitrogen oxides and 429.05 kg of particulate matters. Compared with the previous year, the emissions of nitrogen oxides increased, mainly due to the greater variety of fabric types produced this year, as well as the increase in production volume and the proportion of heat-setting processes, which led to a corresponding increase in the operation time of the related waste gas treatment facilities. On the other hand, the Group optimized and upgraded the waste gas treatment facilities for the heat-setting process during the year, adding a water spray device, which improved the treatment effect. As a result, the emissions of particulate matters decreased compared with the previous year.

**Sewage Discharge**

In strict compliance with the requirements of the sewage discharge permit, Yadong (Changzhou) regularly invites third-party testing agencies to conduct water quality tests on discharged sewage to ensure compliance with national and local environmental protection regulations and standards. During the Reporting Period, Yadong (Changzhou) generated 781,532 tonnes of sewage.

**Total Sewage Discharge**



*Sewage Treatment Facilities*

For the printing and dyeing wastewater generated during the production process, Yadong (Changzhou) has a dedicated sewage pre-treatment station and has installed online monitoring facilities for acidity (pH), chemical oxygen demand (COD), and ammonia nitrogen at the discharge point. These facilities are networked with the monitoring platform for real-time monitoring and data analysis. An anaerobic tank and a hydrolysis acidifier are installed in the station. In addition, we completed and put into use a new anaerobic tower in January 2025, completing the upgrade and renovation of sewage treatment, thereby making the sewage treatment more stable and efficient.



**Anaerobic Tower at the Sewage Treatment Station of Yadong (Changzhou)**

During the Reporting Year, the Group launched the “Water Reuse Project”, which plans to reuse treated water and enhance energy efficiency and reduce fresh water consumption through heat energy conversion technology to support the Group’s green development and sustainable business strategy.

### *Sewage Treatment Operating Procedures*

Yadong (Changzhou) has formulated the Sewage Treatment Process, Safe Operating Rules for Sewage Treatment, and Operation Norms for Sewage Treatment, which clarify and standardize the daily job duties of sewage treatment operator. The commissioner shall check the operation of the sewage treatment system on a daily basis, including measuring the pH value of process units such as the adjusting tank, coagulation tank, primary sedimentation tank, hydrolysis tank, aeration tank and secondary sedimentation tank, and conducting regular testing on the sedimentation ratio of deaeration tank and hydrolysis tank and the dissolved oxygen in the aeration tank and hydrolysis tank, with all results recorded in the Sewage Treatment Daily Report.

In order to ensure the standardisation and efficiency of the sewage treatment work, the Company requires a full-time commissioner to fill in and report the treatment status on a daily basis. Meanwhile, the Company adopts a two-member co-ordinated management model, whereby the water quality analyst regularly conducts spot checks on the water quality of the primary sedimentation tanks and the secondary sedimentation tanks, and records the results in the Water Quality Analysis Report, which is then used by the sewage treatment commissioner to make timely adjustments to chemical dosage based on the test results and simultaneously updated in the Sewage Treatment Daily Report.

Yadong (Changzhou) continues to optimise the sewage treatment process and is committed to keeping the COD value of the sewage stable within 100 mg/L to ensure that environmental requirements are met, and to promote continuous improvement and efficiency enhancement of the sewage treatment work.

### **Waste Management**

The Group is committed to reducing waste generation at source by actively adopting cleaner production processes. The Group has formulated the Hazardous Waste Management Responsibility System for Warehouse, which clearly defines the designated personnel responsible for the classification, collection, handling, storage and transfer of hazardous wastes and their relevant duties, thereby ensuring clear management responsibilities and standardized operations.



Yadong (Changzhou) has obtained the Global Recycled Standard certification. Its corduroy, cotton poplin, cotton, cotton polyester/cotton brocade, predominantly cotton, Tencel viscose and other products are all recyclable, with a product recyclability rate of 100%, fully reflecting the concept of resource recycling.

### *Hazardous Waste*

During the production process, hazardous wastes generated by Yadong (Changzhou) mainly include waste oil gloves, waste rubber gloves, waste toner cartridges, waste oil, dye packaging bags and sludge. All hazardous waste is centrally stored in a dedicated hazardous waste area, and is transported and disposed of by third-party organisations with legal qualifications. Agreements on the disposal of hazardous waste have been signed to ensure that the treatment is carried out in a compliant and safe manner.

During the Reporting Period, a total of 5,639 kg of hazardous waste was generated by Yadong (Changzhou), representing a decrease of 20.3% compared with last year, with an emission intensity of 5.25 kg/million revenue.

### *Non-hazardous Waste*

The non-hazardous waste generated by Yadong (Changzhou) mainly include waste paper, waste plastics, waste metals and domestic waste. To promote resource recycling, we have set up waste sorting bins in office and plant areas. Recyclable waste is uniformly processed and reused by licensed recycling entities, while non-recyclable waste is regularly collected and managed by local sanitation and other recycling departments. During the Reporting Period, a total of 5,460 kg of non-hazardous waste was generated by Yadong (Changzhou), with an emission intensity of 5.09 kg/million revenue.

To further enhance resource management efficiency and reduce paper waste, the Group actively promotes office automation and the construction of an integrated platform, covering the electronic management of procurement process approval, exit permit, and file ledgers. Through systematic digital management, the Company is able to optimise office processes, improve efficiency, and significantly reduce paper consumption, helping the enterprise to move towards the transformation goals of green office practices and digital management.

### Noise Pollution Prevention and Control

The Group places great emphasis on noise management during production processes, and is committed to reducing the impact of noise on the environment and employees. We have formulated the Pollutant Control Procedure, which sets out clear norms and prevention measures for noise emissions. By continuously optimising equipment management and adopting technical means such as sound insulation and vibration damping, the Group effectively promotes the implementation of noise prevention measures, ensuring that production activities comply with environmental protection requirements and safeguarding the working environment of employees as well as the quality of life of surrounding communities.

#### Equipment inspection and maintenance

Require the Production Department to strictly follow the Equipment Management Procedures to check the integrity of various equipment and facilities, and carry out timely maintenance if equipment is found to be old, damaged, etc. causing noise problems.

#### Prioritising the use of low-noise equipment

Relevant departments are encouraged to select low-noise equipment as much as possible under the equivalent conditions.

#### Noise reduction measures

Active noise mitigation measures have been taken, such as installing sound barriers or partitions to reduce noise.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Chemical Management

The Group attaches great importance to the safe management of chemicals, and strictly adheres to internal Chemical Control Procedures to comprehensively regulate the procurement, storage, transportation, use and disposal of chemicals to minimise the potential risks to the environment and employees' health.

We manage chemicals by classification, maintain a Chemical List, and ensure that all chemicals purchased are from suppliers with legal operating qualifications. Meanwhile, the Group has established a complete ledger system to record the categories and properties of chemicals, enabling full life-cycle traceability management. In terms of storage, chemicals are centrally kept in designated areas, and measures such as vapour protection, leak prevention, fire and explosion protection, as well as ventilation and dryness, are taken to ensure safety.

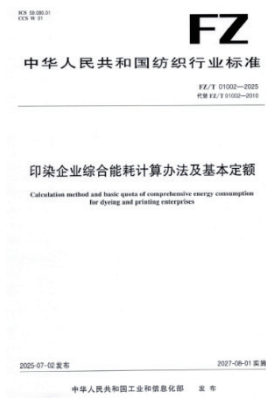
In addition, the Group conducts annual safety training for employees involved in the use of chemicals, ensuring that they master proper operating methods and safety precautions, thereby reducing risks involved in the use. In the future, we will continue to improve the chemical management system, strengthen risk control capabilities and enhance the safety awareness and operating skills of employees to ensure safe production and promote the green and sustainable development of the enterprise.

## Environmental Protection Cooperation and Participation in Industry Standards

During the year, Yadong (Changzhou) signed environmental project cooperation agreements with YiAn Holdings Jiangsu Construction Co., Ltd. and Shandong Shuanghe Energy Saving and Environmental Protection Technology Co., Ltd., respectively, further enhancing the Group's comprehensive supporting capabilities in the fields of green development and environmental protection, energy conservation and recycling. In the future, the Group will continue to deepen relevant cooperation, optimise the green development layout, and continuously improve sustainable development practices.



Furthermore, leveraging its long-term accumulation and practical experience in refined energy consumption management, the Group was invited to participate in the formulation of the industry standard Calculation Method and Basic Quota of Comprehensive Energy Consumption for Dyeing and Printing Enterprises (FZ/T 01002-2025). As one of the technical benchmark enterprises in the industry, the Group not only actively promotes the implementation of the standard within its own operations but also extends its concepts to supply chain management, guiding partners to benchmark against the industry's advanced energy consumption quotas, thereby jointly promoting energy conservation, emission reduction, and green transformation across the industry.



## Responsible Operation

The Group has always adhered to the corporate culture of “Innovation, Integrity, and Perseverance”, regarded the quality of products and services as one of the Group’s core competencies, and continuously promoted business development with a responsible business philosophy. In 2025, the Group further deepened the “customer-centric” operating model. Driven by technological innovation, and through a complete quality management system, stringent product control processes, and standardised business ethics management, the Group is committed to providing customers with safe, reliable, and high-quality products and services.

### Product Responsibility

#### Quality Assurance

The Group has established a complete product quality management system, and formulated the Product Quality Management System and Production Management System to continuously optimise its internal quality management processes and ensure stable and reliable product performance. Prior to production, the production department and the sales department hold a pre-production meeting to determine manufacturing process and relevant technical requirements. For incoming raw materials, the Quality Assurance Department strictly inspects the name, specifications, quantity, and quality of procured items to ensure compliance with production standards. During the production process, the Group strictly implements the Process Instruction Sheet, whereby the Technical Department issues production instructions based on the process requirements determined at the pre-production meeting, and implements stringent quality control throughout the production process. Semi-finished products must undergo physical testing and be stamped with a “Qualified” seal before being transferred to the next process. After production is completed, all products are subject to 100% inspection in the finished product workshop, with the results recorded in the Finished Product Inspection Record Sheet. If non-conforming products are identified, the Quality Assurance Department, together with the Production and Technical Departments, convenes a quality analysis meeting to ascertain the causes and formulate corrective measures, thereby continuously improving the level of product quality management.

#### Product Certification

Yadong (Changzhou) has successfully obtained ISO 9001 quality management system certification and established a sound product quality management mechanism. By virtue of its stringent quality control system, the Group’s products have received multiple international and industry certifications, including OEKO-TEX® eco-textile certification, Organic Content Standard (OCS), Recycled Claim Standard (RCS), Global Recycled Standard (GRS), and Global Organic Textile Standard (GOTS), among other sustainable textile-related certifications<sup>3</sup>.



In addition, the Group has obtained UNIQLO laboratory certification and WalMart certification, and its product quality and management level have been widely recognised by international customers and industry institutions.

<sup>3</sup> The certificate of Organic Content Standard (OCS), Recycled Claim Standard (RCS), Global Recycled Standard (GRS), and Global Organic Textile Standard (GOTS) are all Scope Certificates (“SCOPE CERTIFICATE”).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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In 2025, several fabric products of the Group received awards in industry selections. Among them, “Sanded Stretch Satin” and “Pure Cotton Right Twill” won the “Fabrics China Appraisal Entry Enterprise — Excellence Award Product”, while “Beige Grey Draped Texture” (米灰垂感) and “Light Roast Matcha” (淺煎抹茶) won the “Fabrics China Appraisal Entry Enterprise — Excellence Award”, reflecting the Group’s strengths in fabric research and development and product quality.

### Customer Service

The Group has established a customer service management system covering the entire product life-cycle in accordance with the Sales Management System, and has clearly defined the responsibilities of each department in product quality management and customer service. The Quality Assurance Department is responsible for raw material inspection, production process monitoring, and after-sales quality management, while the sales department is responsible for following up on contract execution to ensure timely product delivery.

To enhance customer satisfaction, the Group has established a customer feedback and continuous improvement mechanism, regularly reviews production and service processes, and incorporates customer needs and market feedback into product improvement and production management, thereby continuously improving product quality and service levels. Meanwhile, the Group also reduces the risk of customer complaints by optimising logistics and delivery processes, including the preparation of “detailed packing lists” by sales personnel, the review of “delivery notification forms” by the Finance Department, and the dual verification by the warehouse and transportation party to ensure the accuracy of product types and quantities delivered.

In the event of a customer complaint or product recall request, the Group arranges for a professional team to conduct timely on-site inspections and quality assessments, and formulates corresponding corrective measures. During the Reporting Period, there were no product recalls due to product health or safety issues.

### Intelligent Manufacturing

During the Reporting Year, the Group continuously promoted the upgrading and intelligent transformation of production equipment to enhance production efficiency and improve the working environment. During the year, the Group introduced various automated equipment in the production processes of the plant, including industrial robots, robotic grippers, safety protection devices, and automated transportation systems, etc.

Through the application of mechanical gripper arms and automated transportation equipment, some handling and operation processes originally performed manually have been replaced by equipment, which not only effectively reduces manual labour intensity but also lowers safety risks during operations. Meanwhile, the application of automated equipment also helps to improve the stability and efficiency of production processes, further promoting the development of the enterprise’s production model towards intelligent and efficient production.

### R&D and Innovation

The Group is committed to technological innovation and product research and development to meet market demand and promote the development of the industry. In terms of product research and development, the Group focuses on the application of green, low-carbon and recycled materials, actively developing environmentally friendly fabrics covering cotton, linen, Tencel™ fibres and other high-quality materials, and exploring innovative applications of functional and sustainable fabrics. In 2025, Yadong (Changzhou) Science & Technology Co., Ltd. was again recognised as a “High-tech Enterprise”, further consolidating the Group’s research and development capabilities in the printing and dyeing technology field.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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### Supplier Selection and Access

The Group adheres to the procurement principle of “fairness, justice, and openness” and has established a strict supplier access mechanism. In the supplier selection process, we comprehensively consider factors such as product quality, service level, delivery capability, and price, and review the qualifications of potential suppliers, including business licenses, production permits, and relevant industry certifications, to ensure they possess legal business qualifications and performance capability.

For routine material procurement, the Group implements a “three-quote” procurement mechanism, comparing the quotations and service capabilities of different suppliers to ensure the fairness and economic efficiency of procurement decisions. For business outsourcing partners, the purchasing department, together with relevant departments, conducts on-site inspections to assess their production management and compliance status, and only after approval by the management can they be included in the list of qualified suppliers.

During the Reporting Period, the Group co-operated with a total of 471 suppliers, of which 349 were located in Jiangsu Province.

### Supplier Evaluation and Supervision

To continuously improve supply chain management, the Group has established a supplier evaluation mechanism covering “annual performance evaluation” and “daily quality monitoring”.

At the end of each year, the Group conducts a comprehensive performance evaluation of all suppliers. The purchasing department quantitatively scores the suppliers based on the Supplier Outsourcing Factory Evaluation Form from aspects such as product quality, price competitiveness, on-time delivery rate, and after-sales service. The evaluation results are reviewed and approved by management, and the list of qualified suppliers is updated accordingly. For suppliers with unsatisfactory evaluation results, the Group will take measures such as corrective actions, suspension of cooperation, or termination of cooperation, as the case may be.

In terms of daily quality management, the Group has established a stringent raw material inspection and quality monitoring mechanism. For example, for core raw materials such as greige fabric, an incoming inspection system is implemented, whereby inspectors are required to take samples from upper, middle and lower parts and measure the width of the incoming materials to ensure they meet production standards. Meanwhile, for chemicals such as dyes and auxiliaries, the Group adopts a “batch acceptance” system. Suppliers are required to provide chemical composition test reports. Only after the Quality Assurance Department conducts tests to confirm their compliance can the chemicals be accepted into the warehouse, thereby ensuring that the chemicals used meet safety and environmental protection requirements.

Through the above evaluation and monitoring mechanisms, the Group continuously identifies and manages potential risks in the supply chain, ensuring product quality and supply chain stability.

### Green Procurement

The Group incorporates environmental factors into procurement decision-making and actively promotes green procurement. In the selection of raw materials, the Group gives priority to sustainable fibres such as recycled cotton and recycled polyester to reduce the environmental impact of products. During the production process, we select dyes and auxiliaries that meet environmental protection requirements and avoid using products containing prohibited chemical substances.

Furthermore, the Group prioritises cooperation with suppliers that hold certifications for environmental, quality and occupational health and safety management systems (such as ISO 14001), working together with supply chain partners to promote green development.

### Anti-corruption

The Group upholds a corporate culture of integrity and self-discipline, strictly complies with the laws and regulations related to anti-corruption and anti-bribery in the places of operation<sup>4</sup>, including the Anti-Unfair Competition Law of the People's Republic of China and other applicable regulations, and adopts a zero-tolerance approach to any form of corruption, fraud, or commercial bribery. The Group is committed to establishing a transparent, fair and compliant operating environment, and through a robust internal control and compliance management system, strengthens the identification, prevention and management of corruption and fraud risks.

In terms of governance structure, the Board is responsible for overseeing the Group's anti-corruption and compliance management, and supervises the internal control and risk management system through the Audit Committee. The Group has established an internal audit organisation, responsible for assessing and monitoring fraud risks and conducting investigations into suspected misconduct. The internal audit organisation regularly reports anti-fraud efforts and related risks to the Board and the Audit Committee, ensuring the effective operation of the anti-corruption management mechanism. For any verified fraud or misconduct, the Group will take serious actions in accordance with relevant policies; where necessary, such cases will also be referred to judicial authorities, thereby forming an effective disciplinary mechanism and strengthening the enterprise's internal risk prevention and control.

In terms of system building, the Group has formulated and implemented several internal management policies, including the Financial Management System (《財務管理制度》), the Anti-Fraud and Whistleblowing Regulations, the Code for Securities Transactions by Directors, the Internal Audit Regulations, and the Management System for the Use of Proceeds, providing clear integrity and conduct guidelines for Directors, management and employees. Meanwhile, the Group promotes an integrity culture through internal training, morning meetings and regular meetings, and strengthens the dissemination of laws, regulations and compliance requirements through its internal platforms, thereby enhancing employees' integrity awareness and the ability to prevent compliance risks.

In terms of partner management, the Group also places great emphasis on business ethics and anti-corruption management, extending the principle of integrity to supply chain management. All partners are required to sign an Anti-Bribery Pledge, and regularly submit integrity checklists to assess their compliance performance in honest business practices and anti-corruption. Through the above measures, the Group continuously promotes transparent supply chain management and works with partners to establish an environment of honest operations.

During the Reporting Period, the Group was not aware of any concluded legal cases related to corruption.

#### Anti-corruption Training

The Group places emphasis on anti-corruption and business ethics education, and continuously provides relevant training for Directors, management and employees to enhance their awareness of honest operations and compliance requirements. The training content covers anti-corruption laws and regulations, business ethics codes, fraud risk identification, and reporting mechanisms, to help employees identify potential risks and adhere to relevant standards in their daily work.

During the Reporting Period, the Group organised anti-corruption training for a total of 150 persons, with a cumulative training duration of 2 hours.

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<sup>4</sup> Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

### Whistleblowing and Reporting Mechanism

To strengthen corporate integrity governance, the Group has established a diversified whistleblowing mechanism, providing safe and convenient whistleblowing channels for employees and external stakeholders. The Group has set up a dedicated whistleblowing email address and postal mailbox for receiving reports of violations of professional ethics, corruption, fraud, or other misconduct. All whistleblowing cases are received and handled by the internal audit organisation, and are investigated and followed up in accordance with established procedures to ensure that the cases are dealt with promptly and fairly.

In terms of whistleblowing management, the Group standardises the processes for accepting, investigating, and handling whistleblowing cases, and regularly reviews the operation of the whistleblowing mechanism to ensure the effectiveness and transparency of whistleblowing channels. Meanwhile, the Group's Information Technology Department provides technical support to ensure the accessibility of whistleblowing channels and the security of related information.

The Group has also established a sound whistleblower protection mechanism, strictly maintaining the confidentiality of whistleblowing information and the whistleblower's identity to prevent information leakage or improper use. Any form of retaliation is strictly prohibited. If any such case is identified, the Group will take serious action in accordance with relevant regulations, and where necessary, pursue legal responsibility to ensure that whistleblowers can raise concerns in a safe and protected environment.

## People-oriented

The Group has always regarded employees as an important cornerstone of corporate sustainable development, and is committed to creating a safe, healthy and inclusive working environment that supports the mutual growth of employees and the Group. Upholding a "people-oriented" management philosophy, the Group promotes the alignment of employee development with corporate strategy through a complete human resources management system and diversified employee care measures, continuously enhancing employees' sense of belonging, satisfaction, and well-being at work.

### Talent Recruitment

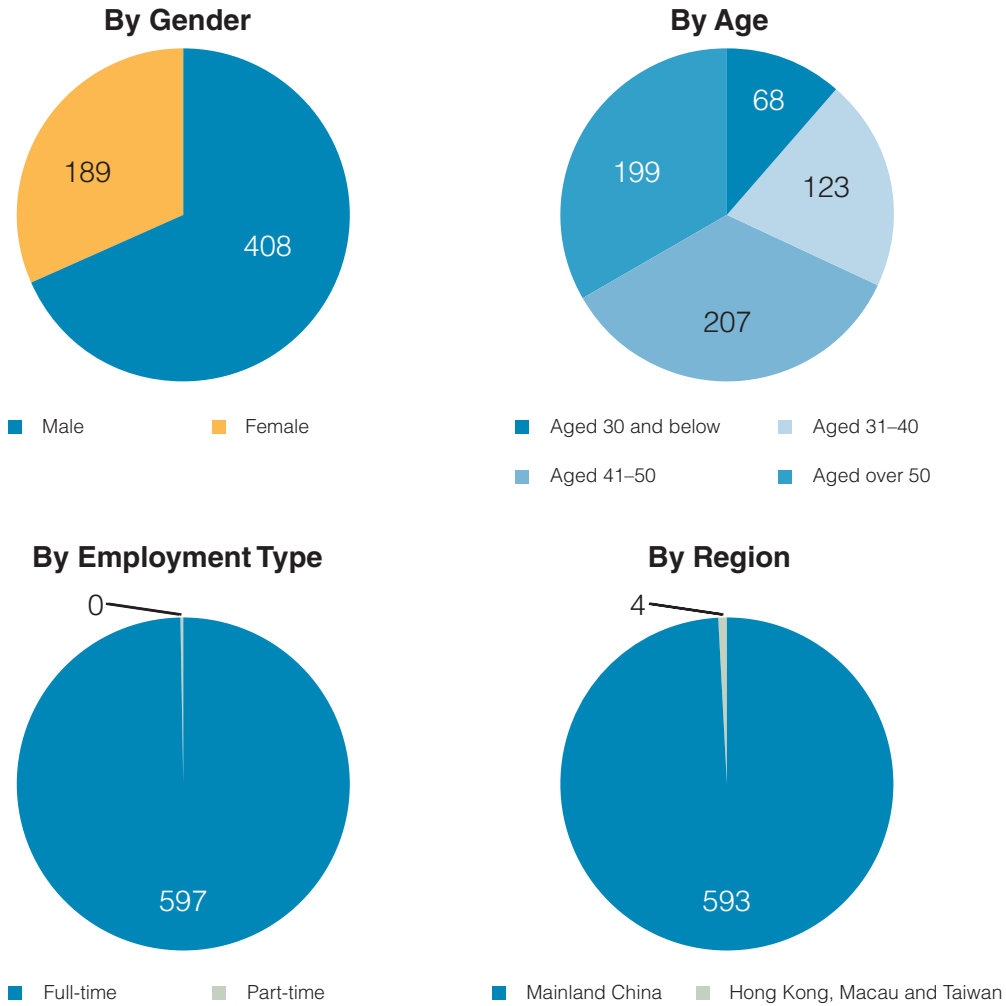
#### Responsible Employment

The Group strictly complies with the laws and regulations related to labour and human rights protection in the places of operation<sup>5</sup>, including the Labour Law of the People's Republic of China and other relevant legal requirements, and refers to relevant standards of the International Labour Organisation (ILO), aiming to establish a fair, lawful and compliant employment system. The Group has formulated and implemented the Human Resources Management System, which standardises human resource management processes including recruitment, compensation and benefits, performance appraisal, promotion, training, rewards and disciplinary actions, and termination, to ensure that all employment decisions are based on employee capabilities, work performance, and business needs, and are not affected by gender, age, race, religion, nationality, or other unrelated factors.

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<sup>5</sup> Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

As at the end of the Reporting Period, the Group had a total of 597 employees, which were distributed as follows:



The Group adheres to a zero-tolerance principle towards child labour and forced labour across all business operations, and has established the Child Labour and Juvenile Labour Control Procedures, the Child Labour Remedial Management Procedures and other relevant systems to prevent the occurrence of related violations. During the recruitment process, the Group rigorously verifies the legal employment qualification of applicants through measures such as checking identification documents. Meanwhile, the Group has also established routine supervisory mechanisms, including on-site spot checks and employee reporting channels. Should any violation be identified, an investigation will be initiated immediately and corresponding remedial measures will be taken to ensure the protection of employees' legitimate rights and interests.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to fostering a fair, respectful and inclusive workplace culture, respecting employees of different backgrounds, cultures and genders, and encouraging employees to give full play to their strengths in an equal working environment. The Group firmly opposes any form of discrimination, strictly implements the principles of equal employment and equal pay for equal work regardless of gender, and provides all employees with equal development opportunities and career advancement pathways.

### Employee Benefits and Care

The Group is committed to providing employees with competitive remuneration and benefit package to enhance their job satisfaction and sense of belonging. In accordance with relevant national and local laws and regulations, the Group contributes to housing provident funds and social insurances including pension, unemployment, medical, work-related injury, and maternity insurances for employees, and maintains complete personnel files for each employee to safeguard their basic rights and interests. The Group provides employees with various statutory holidays and paid annual leave in accordance with the law, and strictly complies with national laws and regulations on working hours and remuneration, arranging working hours reasonably, and paying overtime compensation or granting compensatory leave as required by law to ensure the legitimate rights and interests of employees.

Remuneration	Five insurances and one fund	Paid annual leave	Additional benefits
Basic salary Annual performance salary Benefits and allowances	Pension insurance Unemployment insurance Medical insurance Work injury insurance Maternity insurance Housing provident fund	Paid leave Statutory holidays Marriage leave Bereavement leave Maternity leave	Holiday benefits Annual physical examinations and free medical consultations Free lunch Overtime compensation

### Employee Benefit Package

In addition, the Group continues to improve employee care measures, such as setting up a room of mother and infant to provide a convenient space for breastfeeding female employees, and pays attention to employees' physical and mental health through diversified employee care activities and welfare measures, fostering a caring and inclusive workplace atmosphere.



Women's Day Activities



Summer Heat Care Visits



Festival Consolation

### Staff Support

When employees encounter life difficulties, health issues, or unexpected events, we respond promptly and provide proactive care. Through a support mechanism that combines institutionalised processes with a human touch, we offer practical assistance and companionship, standing together with our employees to face challenges and convey the warmth of the enterprise.

### Staff Communication

The Group values communication and interaction with employees and has established diversified communication channels to promote two-way engagement between the management and employees. The Group has set up communication channels including a complaint hotline, an anonymous mailbox, and a general manager's mailbox, through which employees may directly express their views to the management or put forward suggestions via employee representatives. All grievances are recorded and followed up in accordance with relevant procedures to ensure that issues can be responded to promptly and resolved properly.

In addition, the Group also conducts regular employee interviews and symposiums to collect opinions and suggestions from employees across different departments and positions, and engages in communication and consultation on topics such as the working environment, workplace safety, employee benefits, and grievance mechanisms through labour-management consultation meetings, continuously optimising employee management measures.

### Training and Development

#### Staff Training

The Group is committed to enhancing employees' professional capabilities through continuous training and development programmes to support the enterprise's long-term development. The Group has formulated the Employee Training Management System, with the Administration Department coordinating training efforts and each business department assisting in the execution, providing multi-level training for employees in different positions and at different levels to enhance their professional skills and management abilities.

The Group provides diversified training for employees, including induction training for new employees, professional skills training, management capability development, and professional quality training, and strictly implements the system of "training first, then taking up the post". All newly hired employees, transferred employees, and new equipment operators must complete the relevant training and pass assessments before formally assuming their posts. Meanwhile, the Group also encourages employees to participate in external training and professional development programmes to continuously enhance their professional capabilities and knowledge levels.

During the Reporting Period, the cumulative training hours of the Group were 10,597 hours, the number of training participants was 597, and the average training hours of employees were 17.72 hours.

#### Cross-Regional Technical Exchange and Training

During the year, Yadong Group organised a three-month technical exchange and training session for employees of its subsidiary Vietnam AET (越南AET). During the training session, the trainees engaged in on-site observation and hands-on practice at the production frontline, systematically learning textile dyeing-related technologies, including colour sampling, electromechanical equipment maintenance, and other core skills. Through the systematic training, the trainees achieved significant improvements in their understanding of dyeing processes, colour sampling capabilities, and equipment maintenance skills. Upon completion of the training, all trainees took part in a final assessment to comprehensively evaluate their learning effectiveness. In the future, the Group will continue to conduct cross-regional technical exchanges and practical training, promote the sharing of technical experience and the inheritance of professional capabilities, and further strengthen the development of the Group's professional talent team.



### Professional Skills Training and Vocational Qualification Enhancement

To enhance the professional skills of employees, during the Reporting Period, Yadong organised vocational skills training for textile dyeing workers and invited professional instructors to provide systematic teaching for employees, assisting them in preparing for and obtaining vocational skill rating certificates. The training covered both theoretical knowledge and practical operation modules, comprehensively improving employees' understanding of textile dyeing processes and their hands-on capabilities. Meanwhile, the Company held award ceremonies in batches for intermediate textile dyeing worker honorary certificates, recognising employees who had obtained vocational skill rating certificates to motivate them to continuously enhance their professional competencies. In the future, the Group will continue to improve the skills training system, enhance employees' skills and promote their vocational development, thereby providing talent support for the high-quality development of the enterprise.



### Talent Cultivation and Industry-Academy Cooperation

The Group places great emphasis on employee career development and is committed to providing employees with clear career development paths and diverse growth opportunities. When there are job vacancies, the Group gives priority to internal employees to facilitate internal talent mobility and expand employees' career development space. Meanwhile, the Group conducts regular performance appraisals, and uses the results as an important basis for job promotion, salary adjustment, training arrangements, and reward distribution.

To further cultivate professional talents and promote technological innovation, the Group actively promotes talent exchange and industry-university-research collaboration. The Group has established cooperative relationships with several universities, including the industry-university-research collaboration with Donghua University to promote textile technology innovation and green development; the cooperation with Changzhou Vocational Institute of Textile and Garment to build an off-campus internship base, exploring modern apprenticeship talent development models; and the scientific research cooperation with the College of Textile Science and Engineering of Jiangnan University to jointly advance textile technology R&D and industrial upgrading. Through industry-academy cooperation, the Group continues to strengthen the talent cultivation mechanism, providing stable talent support for the enterprise's long-term development.

### University-Enterprise Collaborative Training — Cultivating Technical Talents for Society

The Group actively promoted the integration of industry and education, supporting the cultivation of professional talents. On 17 September 2025, Yadong Group held an exchange event with Changzhou Vocational Institute of Textile and Garment, and jointly launched the “Yadong Jiangxin Class” (亚东匠新班) to explore a “university-enterprise dual-system” talent cultivation model. By involving enterprises in course design and provision of internship opportunities, students were able to gain early insights into industry development and enterprise demands, and lay a foundation for their future careers in professional fields such as process engineering, production management, and quality management, thereby further facilitating the effective alignment between education and industry.



To deepen industry-academy integration, the Group also invited students of the “Jiangxin Class” to visit the enterprise for learning. On 11 October 2025, the students toured the printing and dyeing production workshops to learn about modern printing and dyeing processes, advanced production equipment, and quality management systems. Through on-site exchanges and learning, students were able to gain a more intuitive understanding of the development of the textile dyeing and finishing industry, and enhance their awareness of future career development. The Group will continue to cooperate with educational institutions to provide young talents with a platform for practice and learning, contributing to the cultivation of industry talents and social development.



## Occupational Health and Safety

The Group regards occupational health and safety management as an important foundation for enterprise operation, and is committed to safeguarding employees' physical and mental health, reducing accident risks, and maintaining production stability. The Group strictly complies with relevant laws and regulations in the places of operation<sup>6</sup>, including the Production Safety Law of the People's Republic of China. Referring to the ISO 45001 Occupational Health and Safety Management System standard, the Group has formulated management documents such as the Production Safety Management System (《安全生產管理制度》), the Occupational Safety Management System (《職業安全管理制度》), and the Occupational Disease Prevention and Control Plan and Implementation Plan (《職業病防治計劃與實施方案》), providing specific and targeted safety operation guidelines for each position to ensure systematic and standardised safety management.

The Group adheres to the safety management policy of "people-oriented, safety first, and prevention foremost", and implements production safety responsibilities in accordance with the principle of "the ultimate responsibility lies with the person in charge", ensuring that production and operation activities comply with safety management requirements. In accordance with the Provisions on Reporting of Safety Production Risks of Enterprises in Jiangsu Province, the Group regularly identify and inspect occupational health risk and safety hazard. Through various methods such as daily patrols, weekly inspections, and monthly safety checks, safety hazards are identified and addressed in a timely manner. All identified major risks are included in the Major Safety Risks Identification List for centralised management, and corresponding risk control measures are formulated for each link in the production workshops to strengthen safety management throughout the entire production process and minimise safety risks.

The Group continuously improves the safety training and occupational health protection system, and has established systematic safety management requirements for production equipment, work premises, and related operating procedures. For personnel in special work categories, as well as new hires, temporary workers, and trainees, the Group implements a three-level safety education system. They must complete safety training at the department, workshop, and team levels and pass the corresponding assessments before assuming their posts. In addition, the Group organises occupational health exams for employees annually to identify and prevent occupational disease risks at an early stage, and provides employees with necessary articles for labour protection to safeguard their health and safety during the work process.

To enhance employees' safety awareness and emergency response capabilities, the Group conducts multiple safety education and specialised training sessions each year. The training covers the interpretation of the Production Safety Law and the Jiangsu Province Production Safety Regulations (《江蘇省安全生產條例》), safety risk identification and hazard inspection, the production safety responsibility system, hazardous chemical management, occupational health protection, first aid knowledge, and fire safety. All training sessions are subject to effectiveness evaluation, and the assessment results are incorporated into employees' training files. Employees who fail the assessment are required to undergo retraining until they meet the required standards, thereby ensuring the effectiveness of safety training.

During the Reporting Period, the Group continued to strengthen production safety management and recorded no safety accidents throughout the year. A total of 67 safety hazard identifications were conducted, with both the hazard identification and rectification completion rates reaching 100%, effectively enhancing the level of safety risk control.

Meanwhile, the Group actively organised safety emergency drills, conducting a total of 8 safety drills during the year, with cumulative participation of 4,640 person-times. In addition, the Group continued to promote safety education and training. During the Reporting Period, safety training covered 2,320 person-times, with a cumulative training duration of 5,800 hours, further strengthening employees' safety awareness and emergency response capabilities.

As at the end of the Reporting Period, the number of work-related fatalities and lost days due to work in the past three years of the Group are as follows:

Indicators	Unit	2025	2024	2023
Number of work-related fatalities in the past three years	person	0	0	0
Rate of work-related fatalities in the past three years	%	0	0	0
Lost days due to work injury	day	0	0	0

<sup>6</sup> Please refer to the section headed "Applicable Laws and Regulations" for the relevant laws and regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, the Group implemented a number of health and safety special initiatives, fulfilling its commitment to employee safety and health, while continuously advancing the construction of risk prevention and control system.

### Safety Education Experience Centre

The Changzhou Textile and Garment Industry Safety Public Experience Centre (常州市紡織服裝行業安全公共體驗館), established by Yadong (Changzhou) showcases the development history of the local textile, garment, printing and dyeing industry. It provides professional interpretation and risk warnings for common safety hazards in the industry, such as fire, mechanical injury, hazardous operations, dust explosion, and electric shock. The Centre is equipped with a range of immersive safety experience devices, enabling employees to simulate safety accident scenarios, thereby gaining a more intuitive understanding of the potential severe consequences of accidents and enhancing their safety awareness. Meanwhile, the Centre is also equipped with facilities for learning safety knowledge and first aid skills training, using interactive teaching methods to strengthen the effectiveness of safety education.



### Fire Safety Drills

To enhance employees' fire safety awareness and emergency response capabilities, the Group regularly organises fire safety training and drill activities. The training covers the use of firefighting equipment, fire emergency response procedures, and key points for evacuation and escape, with on-site demonstrations conducted by professional staff. Subsequently, through realistic scenario-based drills, employees are organised to participate in evacuation and escape, security alerting, firefighting and rescue exercises, enabling them to master emergency response skills through practical drills and further improving the enterprise's overall safety management level.



### Summer High Temperature Care Initiatives

To cope with the high temperature weather in summer, the Group continuously carries out the "Summer Cooling" employee care campaign, providing employees with cooling welfare supplies, including washing and care products and mosquito repellent items. Meanwhile, for frontline employees in production workshops, the Company provides iced mung bean soup and other heat-relief beverages, and installs cooling facilities and air cooling equipment in the workshops to improve working conditions in high-temperature environments, thereby effectively safeguarding employees' physical health and operational safety.



### Safety Production Special Meeting

To strengthen safety management during critical periods, the Group regularly convenes special meetings on safety production. At the end of the current year, the Company organised a safety production meeting, attended by heads of production departments and workshops, as well as safety management personnel. The meeting focused on fire hazard inspections, hazardous operations management, safety control in key processes, and emergency duty arrangements during holidays, so as to ensure the safe and stable operation of the enterprise.



## Give Back to Society

The Group fully understands that its long-term development is inseparable from community prosperity. Adhering to the concept of “taking from society and giving back to society”, the Group actively fulfills corporate social responsibilities and is committed to promoting the sustainable development of the community.

In 2025, the Group focused its community investment on “caring for children’s growth” and “supporting education and talent cultivation”, and encouraged employees to actively participate in volunteer activities. By establishing long-term cooperative relationships with local welfare institutions and educational institutions, the Group gained an in-depth understanding of community needs to ensure that resource allocation truly responded to social needs and brought long-term, positive impact to community development. During the Reporting Year, the Group’s public welfare investment amounted to approximately RMB46,000.

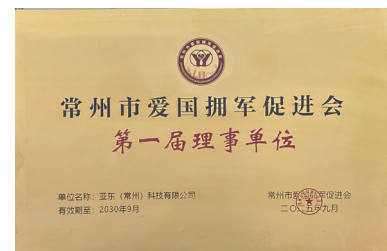
### Carrying on Love — Caring for Disabled and Orphaned Children

The Group continuously pays attention to the growth needs of orphaned and disabled children, and has extended charitable actions from one off material donations to more sustainable care activities. On 6 May 2025, the Yadong Technology (Changzhou) volunteer team once again visited the Changzhou children’s welfare home to carry out care activities. Based on the actual needs of the welfare home, the Group procured and donated living supplies, including clothing care products, disinfection supplies, baby diapers, and children’s clothing. Meanwhile, the volunteers also conducted interactive exchanges and companionship activities with the children at the welfare home, bringing warmth and care to them. The Group hopes that through continuous public welfare activities, it can provide more support for disadvantaged children and promote the attention and inclusiveness towards special groups from all sectors of society.



### Support for Military Personnel and Their Families

The Group has long focused on national defence construction and public security affairs, actively participating in activities supporting military personnel and their families, and fulfilling corporate social responsibilities with concrete actions. The Group regularly visits local firefighting officers and soldiers each year, expressing respect and gratitude to the firefighting teams who have long been fighting on the front lines of emergency rescue and protecting the lives and property of the people.



In addition, Yadong (Changzhou) Science & Technology Co., Ltd. became a member of the first council of the Changzhou Association for the Promotion of Patriotism and Support for the Armed Forces (常州爱国拥军促进会) during the year, further supporting local military support efforts and social welfare undertakings.

## Appendix

### Appendix I: Awards and Recognition



### Awards and Honours

### Awarding Organisations

1	High-tech Enterprises	Jiangsu Provincial Department of Science and Technology
2	Jiangsu Province Specialised Small and Medium-sized Enterprises	Jiangsu Provincial Department of Industry and Information Technology
3	Advanced Collective	Changzhou Textile Engineering Society
4	National Energy Efficiency Leader	The CPC Tianning District Committee of Changzhou City People's Government of Tianning District, Changzhou City
5	Technological Innovation Award	Working Committee of Diao Zhuang Sub-district, Tianning District, Changzhou City, CPC Diaozhuang Sub-district Office, Tianning District, Changzhou City
6	Local Tax Contribution Award	
7	Specialised, Refined, Differential and Innovative Enterprise Award	
8	Member of the First Council	Changzhou Association for the Promotion of Patriotism and Support for the Armed Forces
9	Outstanding Contribution Award for "Optimising the Business Environment and Promoting High-Quality Development of Enterprises" — Advanced Collective (Major Contribution Enterprise)	The CPC Tianning District Committee of Changzhou City People's Government of Tianning District, Changzhou City
10	Joint Innovation Award	Zhejiang Semir Garment Co., Ltd. (浙江森馬服飾股份有限公司)
11	Material Innovation Benchmark	Zhejiang Semir Garment Co., Ltd.
12	Quality Benchmark	Zhejiang Semir Garment Co., Ltd.
13	UNIQLO Supplier Certification	UNIQLO CO. LTD
14	UNIQLO Laboratory Accreditation Certification	UNIQLO CO. LTD
15	Fabrics China Appraisal Entry Enterprise — Excellence Award Product — Sanded Stretch Satin, Pure Cotton Right Twill	China Textile Information Center; China Textiles Development Center
16	Fabrics China Appraisal Entry Enterprise — Excellence Award — Beige Grey Draped Texture and Light Roast Matcha	China Textile Information Center; China Textiles Development Center
17	Datacolor Certify	Datacolor

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Appendix II: Laws and Regulations

The Group ensures that its business operations comply with applicable laws and regulations, including but not limited to the following:

Aspect	Applicable Laws and Regulations	Statement of Compliance
Emissions	<p>Environmental Protection Law of the People's Republic of China</p> <p>Marine Environmental Protection Law of the People's Republic of China</p> <p>Water Pollution Prevention and Control Law of the People's Republic of China</p> <p>Atmospheric Pollution Prevention and Control Law of the People's Republic of China</p> <p>The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste</p> <p>Environmental Noise Pollution Prevention and Control Law of the People's Republic of China</p> <p>The Regulations on the Safe Operation and Pollution Prevention of Ships in the People's Republic of China</p> <p>Tianjin Municipal Air Pollution Prevention and Control Regulation Emissions Pollution from Motor Vehicles and Moving Machinery Not on Roads in Tianjin City</p> <p>Emergency Response Plan for Heavy Air Pollution in Tianjin City</p>	<p>During the Year, the Group did not have any violation of laws and regulations relating to emission of exhaust and greenhouse gases, discharge of water and land and generation of hazardous or non-hazardous waste which had a significant impact on the Group.</p>
Use of Resources	<p>The Law of the People's Republic of China on Energy Conservation</p> <p>The Metrology Law of the People's Republic of China</p> <p>The Water Law of the People's Republic of China</p>	<p>In addition, the Group does not have any problems in finding suitable water sources.</p>
Environment and Natural Resources	<p>The Clean Production Promotion Law of the People's Republic of China</p> <p>The Emergency Response Law of the People's Republic of China</p> <p>Environmental Impact Assessment Law of the People's Republic of China</p> <p>Flood Control Regulations of the People's Republic of China</p>	
Employment and Labour Standards	<p>The Labour Law of the People's Republic of China</p> <p>The Labour Contract Law of the People's Republic of China</p> <p>The Law of the People's Republic of China on the Protection of Disabled Persons</p> <p>The Law of the People's Republic of China on the Protection of Women's Rights and Interests</p> <p>The Trade Union Law of the People's Republic of China</p> <p>Special Provisions on the Labour Protection of Female Employees</p> <p>The Law of the People's Republic of China on the Protection of Minors</p> <p>Provisions on Special Protection of Minors</p> <p>Provisions on Prohibition of Child Labour</p>	<p>During the Year, the Group was not aware of any legal and regulatory matters relating to remuneration and dismissal, recruitment and promotion, hours of work, holidays, equal opportunities, anti-discrimination and other entitlements and benefits, prevention of child labour and compulsory labour that have a material impact on the Group.</p>

Aspect	Applicable Laws and Regulations	Statement of Compliance
Health and Safety	<p>Production Safety Law of the People's Republic of China</p> <p>The Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</p> <p>Provisions on the Administration of Occupational Health at Workplaces</p> <p>The National Plan for Prevention and Control of Occupational Diseases (2021–2025)</p> <p>Guidelines for Investigating and Managing Hidden Dangers in Safety Production Accidents</p>	<p>During the Year, the Group was not aware of any breaches of laws and regulations relating to the provision of a safe working environment and the protection of employees against occupational hazards that have a material impact on the Group.</p>
Product Responsibility	<p>The Product Quality Law of the People's Republic of China</p> <p>The Law of the People's Republic of China on Safe Production</p> <p>The Law of the People's Republic of China on the Protection of Consumer Rights</p> <p>The Intellectual Property Law of the People's Republic of China</p> <p>The Cybersecurity Law of the People's Republic of China</p> <p>The Regulations on the Security Protection of Computer Information Systems in the People's Republic of China</p> <p>Patent Law of the People's Republic of China</p> <p>The Law of the People's Republic of China on Tendering and Bidding</p>	<p>During the Year, the Group was not aware of any incidents of non-compliance in relation to health and safety, advertising, labelling and privacy matters and remedies in respect of the Group's products and services that had a material impact on the Group.</p>
Anti-Corruption	<p>The Criminal Law of the People's Republic of China</p> <p>The Anti-Unfair Competition Law of the People's Republic of China</p> <p>The Supervision Law of the People's Republic of China</p>	<p>During the Year, the Group was not aware of any legal or regulatory actions relating to bribery, extortion, fraud and money laundering that had a material impact on the Group.</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Appendix III: Summary of Data Performance

#### Environmental Management

	2025	2024	2023
<b>Resource Consumption</b>			
<b>Energy Consumption</b>			
Total direct energy consumption (MWh)	<b>33,702</b>	30,060	24,530
Direct energy intensity (MWh/million revenue)	<b>31.39</b>	27.87	22.74
Petrol (litres)	<b>6,450</b>	8,700	6,800
Diesel (litres)	<b>7,587</b>	6,489	5,550
Natural gas (cubic metres)	<b>3,233,880</b>	2,942,743	2,401,376
Generated on-site renewable energy (kWh)	<b>690,963</b>	679,721	671,339
Total indirect energy consumption (MWh)	<b>166,840</b>	149,398	157,903
Indirect energy intensity (MWh/million revenue)	<b>155.42</b>	138.51	146.40
Purchased steam (tonnes)	<b>197,523</b>	175,260	180,939
Purchased electricity (kWh)	<b>13,695,559</b>	12,835,364	12,736,587
<b>Water Resources</b>			
Total water consumption (tonnes)	<b>797,537</b>	793,271	729,624
Water consumption intensity (tonnes)	<b>742.93</b>	735.47	676.45
<b>Packaging Materials</b>			
Total packaging materials used (tonnes)	<b>243</b>	169	266
Intensity of packaging material use (tonnes/million revenue)	<b>0.23</b>	0.16	0.25
Paper tubes (tonnes)	<b>216<sup>7</sup></b>	84	151
Simplified materials (tonnes)	<b>15</b>	34	52
Woven bags (tonnes)	<b>12<sup>8</sup></b>	51	63

<sup>7</sup> The increase in the quantity of paper tubes was primarily attributable to the increase in production volume in 2025.

<sup>8</sup> During the Reporting Year, the Group has ceased using woven bags as packaging materials for the majority of its products.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2025	2024	2023
<b>Emission Control</b>			
<b>GHG Emissions</b>			
Total GHG emissions (tCO <sub>2</sub> e)	<b>74,941.23</b>	67,100.07	69,708.53
GHG emission intensity (tCO <sub>2</sub> e/million revenue)	<b>69.81</b>	62.55	64.63
Scope 1: Direct emissions (tCO <sub>2</sub> e)	<b>7,029.35</b>	6,402.96	5,224.89
Scope 2: Indirect emissions (tCO <sub>2</sub> e)	<b>67,911.88</b>	60,697.11	64,483.64
<b>Exhaust gas</b>			
Sulphur oxides (SOx) (kg)	<b>0.92</b>	0.34	0.11
Nitrogen oxides (NOx) (kg)	<b>934.99</b>	601.63	912.59
Particulate Matter (PM) (kg)	<b>429.05</b>	859.51	1,018.19
<b>Sewage</b>			
Sewage discharge (tonnes)	<b>781,532.00</b>	721,385.11	729,624
<b>Waste</b>			
Total Hazardous Waste Discharge (kg)	<b>5,639</b>	7,075	3,453
Hazardous Waste Emission Intensity (kg/million revenue)	<b>5.25</b>	6.56	3.20
Total Non-Hazardous Waste Discharge (kg)	<b>5,460</b>	5,924	5,590
Non-Hazardous Waste Emission Intensity (kg/million revenue)	<b>5.09</b>	5.49	5.18

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Employee

	2025	2024	2023
<b>Labour Distribution</b>			
<b>Total number of employees (person)</b>	<b>597</b>	569	541
By Gender			
Male	<b>408</b>	388	373
Female	<b>189</b>	181	168
By Age			
Aged 30 and below	<b>68</b>	53	42
Aged 31–40	<b>123</b>	129	163
Aged 41–50	<b>207</b>	212	186
Aged over 50	<b>199</b>	175	150
By Employment Type			
Full-time	<b>597</b>	565	541
Part-time	<b>0</b>	4	0
By Region			
Mainland China	<b>593</b>	565	538
Hong Kong, Macau and Taiwan	<b>4</b>	4	3
By Position			
Senior Management	<b>6</b>	6	6
Middle Management	<b>37</b>	37	33
General Staff	<b>554</b>	526	502
<b>Employee turnover rate (%)</b>	<b>20.77</b>	19.68	17.19
By Gender			
Male	<b>20.10</b>	22.42	15.82
Female	<b>22.22</b>	13.81	20.24
By Age			
Aged 30 and below	<b>66.18</b>	64.15	52.38
Aged 31–40	<b>13.01</b>	18.60	17.79
Aged 41–50	<b>19.81</b>	15.57	10.75
Aged over 50	<b>11.06</b>	12.00	14.67
By Region			
Mainland China	<b>20.91</b>	19.82	17.29
Hong Kong, Macau and Taiwan	<b>0.00</b>	0.00	0.00

	2025	2024	2023
<b>Staff Training<sup>9</sup></b>			
<b>Number of employees trained (person)</b>	<b>597</b>	569	541
Percentage of employees trained by gender (%)			
Male	<b>68.34</b>	68.19	68.95
Female	<b>31.66</b>	31.81	31.05
Percentage of employees trained by employment type (%)			
Senior Management	<b>1.00</b>	1.06	1.11
Middle Management	<b>6.20</b>	6.50	6.10
General Staff	<b>92.80</b>	92.44	92.79
<b>Total training hours of employees (hour)</b>	<b>10,579</b>	7,800	7,014
Average training hours per employee by gender			
Male	<b>18.70</b>	15.08	12.97
Female	<b>15.60</b>	10.77	12.96
Average training hours per employee by employment type			
Senior Management	<b>18.00</b>	16.00	13.33
Middle Management	<b>43.00</b>	37.62	12.12
General Staff	<b>16.03</b>	12.00	13.02
<b>Health and Safety</b>			
<b>Occupational Safety and Health Performance</b>			
Number of work-related fatalities in the past three years (person)	<b>0</b>	0	0
Rate of work-related fatalities in the past three years (%)	<b>0</b>	0	0
Lost days due to work injury (day)	<b>0</b>	0	0

#### Supplier Management

	2025	2024	2023
<b>Supplier Management</b>			
<b>Total number of suppliers</b>	<b>471</b>	648	650
Total number of suppliers by region			
Jiangsu (individual)	<b>349</b>	440	449
Other Provinces in Mainland China (individual)	<b>122</b>	202	198
Hong Kong, Macau and Taiwan (individual)	<b>0</b>	2	1
Overseas (individual)	<b>0</b>	4	2

<sup>9</sup> Staff training data includes staff professional knowledge and skills training, occupational safety and health training and anti-corruption training.

## Appendix IV: HKEX ESG Reporting Guide Content Index

### Mandatory Disclosure

Requirements	Requirements of HKEX ESG Reporting Guide	Chapter/Note
Governance Structure	<p>The statement issued by the Board includes the following content:</p> <ul style="list-style-type: none"> <li>(i) Disclose the Board's oversight of environmental, social, and governance matters;</li> <li>(ii) The Board's environmental, social, and governance management policies and strategies, including the process of evaluating, prioritizing, and managing significant ESG-related issues (including risks to the issuer's business); and</li> <li>(iii) How the Board reviews progress against ESG objectives and explains how they relate to the issuer's business operations.</li> </ul>	Sustainable Development Governance
Reporting Principles	<p>Describe and explain how the following reporting principles are applied when preparing environmental, social, and governance reports:</p> <ul style="list-style-type: none"> <li>(i) <b>Materiality:</b> Identifying, through necessary interactions, issues that are deemed crucial to sustainable development by various stakeholder groups</li> <li>(ii) <b>Quantitative:</b> The data is presented in a manner that facilitates the comparison of year-over-year performance changes. The performance data outlines the standards used for calculating environmental performance indicators</li> <li>(iii) <b>Balance:</b> Transparency is an essential consideration, and the report simultaneously provides information on both positive and negative impacts</li> <li>(iv) <b>Consistency:</b> Ensuring the consistency and comparability of data through the application of appropriate statistical methods</li> </ul>	<p>Sustainable Development Governance</p> <p><b>Materiality:</b> Conducting material topics assessments to identify ESG topics that have a significant impact on the Group and their associated risks</p> <p><b>Quantitative:</b> For the standards, methods, assumptions, and computational techniques used in the data presented in this report, please refer to the section "Summary of Data Performance" of this report</p> <p><b>Balance:</b> The Group clearly articulates its performance in all aspects of sustainable development in an impartial and transparent manner</p> <p><b>Consistency:</b> This report adopts the same statistical methods and domains as in previous years. Quantitative data is presented in a consistent manner to facilitate comparison and analysis by stakeholders</p>
Reporting Scope	<p>The scope of reporting in ESG reports is explained, along with the process of selecting which entities or businesses to include in the ESG reports. If there are changes in the scope of reporting, the issuer should explain the differences and the reasons for the changes.</p>	Sustainable Development Governance

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Production — Response to Climate Change Green Production — Environmental Management System Appendix — Appendix II: Laws and Regulations
A1.1	The types of emissions and respective emissions data.	Green Production — Emissions Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Green Production — Response to Climate Change
A1.3	Total hazardous waste produced and intensity.	Green Production — Emissions Management
A1.4	Total non-hazardous waste produced and intensity.	Green Production — Emissions Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green Production — Response to Climate Change Green Production — Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Production — Emissions Management
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Production — Environmental Management System Green Production — Sustainable Management of Resources Green Production — Response to Climate Change
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Green Production — Response to Climate Change
A2.2	Water consumption in total and intensity.	Green Production — Sustainable Management of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Production — Response to Climate Change
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Production — Sustainable Management of Resources

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Green Production — Sustainable Management of Resources
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green Production — Environmental Management System
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Production — Green Factory Construction Green Production — Emissions Management
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Production — Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Production — Response to Climate Change
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	Employee Care — Responsible Employment
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Employee Care — Responsible Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Care — Responsible Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	Employee Care — Safety and Health

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Care — Safety and Health
B2.2	Lost days due to work injury.	Employee Care — Safety and Health
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Care — Safety and Health
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Care — Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Care — Training and Development
B3.2	The average training hours completed per employee by gender and employee category.	Employee Care — Training and Development
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Care — Responsible Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Care — Responsible Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Care — Responsible Employment
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operation — Supply Chain Management
B5.1	Number of suppliers by geographical region.	Responsible Operation — Supply Chain Management
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.	Responsible Operation — Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Requirements of HKEX ESG Reporting Guide	Chapter/Note
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	Responsible Operation — Quality Assurance
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Responsible Operation — Quality Assurance
B6.2	Number of products and service-related complaints received and how they are dealt with.	Responsible Operation — Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Responsible Operation — R&D Innovation
B6.4	Description of quality assurance process and recall procedures.	Responsible Operation — Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Responsible Operation — R&D Innovation
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operation — Integrity and Anti-corruption
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.	Responsible Operation — Integrity and Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Responsible Operation — Integrity and Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operation — Integrity and Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	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.	Give Back to Society
B8.1	Focus areas of contribution.	Give Back to Society
B8.2	Resources contributed to the focus area.	Give Back to Society

Part D: Climate-related Disclosures		
Climate-related Disclosures	Requirements in Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange	Paragraph Disclosed
<b>(I) Governance</b>		
	The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	Green Production — Response to Climate Change — Governance
	Management's role in the management processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.	Green Production — Response to Climate Change — Governance
<b>(II) Strategy</b>		
Climate-related risks and opportunities	Describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term.	Green Production — Response to Climate Change — Strategy
	Explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical or climate-related transition risk.	Green Production — Response to Climate Change — Strategy
	Specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur.	Green Production — Response to Climate Change — Strategy
	Explain how the issuer defines short term, medium term and long term and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	Green Production — Response to Climate Change — Strategy
Business model and value chain	A description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain.	Green Production — Response to Climate Change — Strategy  The Group has conducted a qualitative analysis of the potential impacts of climate-related risks and opportunities on the business model, value chain, and financial performance. In the future, the Group will gradually enhance analytical capabilities and, when conditions mature, carry out quantitative assessment and disclosure.
	A description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	Green Production — Response to Climate Change — Strategy

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Part D: Climate-related Disclosures

Climate-related Disclosures	Requirements in Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange	Paragraph Disclosed
Strategy and decision-making	<p>Information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation.</p> <p>Information about how the issuer is resourcing, and plans to resource, the activities, which have responded to, and plan to respond, material climate risks and opportunities in its strategies and decision-making.</p>	<p>Green Production — Response to Climate Change — Strategy</p> <p>The Group has integrated climate-related risks and opportunities into the overall strategic planning and formulated corresponding management measures. In the future, the Group will continue to optimise resource allocation and management capabilities to support climate risk management and sustainable development.</p>
Financial position, financial performance and cash flows — Current financial effect	<p>How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period.</p> <p>The climate-related risks and opportunities identified in how climate related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.</p>	<p>Green Production — Response to Climate Change — Strategy</p> <p>The Group has currently conducted a qualitative financial impact analysis of climate-related risks and opportunities, but has not yet established a quantitative assessment model. In the future, the Group will gradually enhance relevant capabilities to support more comprehensive climate-related financial analysis and disclosure. At this stage, no climate-related factors have been identified that would require material adjustments to the financial statements for the next year.</p>
Financial position, financial performance and cash flows — Anticipated financial effect	<p>How the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration of following factors.</p> <p>How the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate related risks and opportunities.</p>	<p>The Group will gradually enhance relevant capabilities to support more comprehensive climate-related financial analysis and disclosure. At this stage, no climate-related factors have been identified that would require material adjustments to the financial statements for the next year.</p>

Part D: Climate-related Disclosures

Climate-related Disclosures	Requirements in Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange	Paragraph Disclosed
Climate resilience	The issuer's assessment of its climate resilience as at the reporting date.	In climate scenario analysis, the Group has identified several uncertainties, including policy changes, the frequency of extreme weather events, demand for low-carbon products and technological developments. Currently, the assessment is primarily conducted on a qualitative basis. In the future, the Group will gradually enhance the capabilities in scenario analysis and quantitative assessment.
	How and when the climate-related scenario analysis was carried out.	Green Production — Response to Climate Change — Strategy  In the scenario analysis, the Group refers to the climate scenarios published by the IPCC and the IEA to assess the physical risks and transition risks that may be faced under different climate scenarios.
<b>(III) Risk Management</b>		
	The processes and related policies it uses to identify, assess, prioritise and monitor climate related risks.	Green Production — Response to Climate Change — Risk Management
	The processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities).	Green Production — Response to Climate Change — Risk Management
	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	Green Production — Response to Climate Change — Risk Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Part D: Climate-related Disclosures

Climate-related Disclosures	Requirements in Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange	Paragraph Disclosed
(IV) Metrics and Targets		
Greenhouse gas emissions		Green Production — Response to Climate Change — Metrics and Targets
Climate-related transition risks		Currently, due to limitations in data infrastructure and system conditions, the Group has not yet made quantitative disclosures on climate-related financial metrics such as relevant assets, business activities, and capital expenditure. The related impacts are currently presented on a qualitative basis.
Climate-related physical risks		
Climate-related opportunities		
Capital deployment		Currently, the Group has not yet established a separate classification for climate-related capital expenditure, or an internal carbon pricing mechanism, or incorporated climate performance into the remuneration incentive mechanism. In the future, the Group will gradually improve relevant management and information disclosure in light of business development and management needs.
Internal carbon prices		
Remuneration		

Part D: Climate-related Disclosures

Climate-related Disclosures	Requirements in Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange	Paragraph Disclosed
Industry-based metrics		The Group is currently evaluating climate disclosure indicators applicable to textile printing and dyeing related businesses, and will gradually enhance the relevant disclosures in line with the development of international standards.
Climate-related targets		Currently, the Group has not yet set specific quantitative climate-related targets. In the future, after the data foundation and management capabilities are gradually improved, the Group will assess the setting and monitoring mechanisms for relevant targets. During the Reporting Period, the Group did not use carbon credits to offset its carbon emissions, and will continue to reduce emissions through carbon reduction measures.

# INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited  
17/F., Chubb Tower, Windsor House  
311 Gloucester Road, Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

## TO THE SHAREHOLDERS OF YADONG GROUP HOLDINGS LIMITED

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

### Opinion

We have audited the consolidated financial statements of Yadong Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 107 to 178, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Expected credit loss (“ECL”) of trade and bills receivables

Refer to note 20 to the consolidated financial statements and the accounting policies in note 3.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the Group had trade and bills receivables of approximately RMB345,635,000, net of accumulated loss allowance for ECL of approximately RMB773,000. Reversal of impairment loss of approximately RMB224,000 has been recognised during the year ended 31 December 2025.</p>	<p>Our procedures were designed to review the management's judgement and estimates used in assessment process and challenge the reasonableness of inputs and assumptions used in estimating the ECL of trade and bills receivables.</p>
<p>Loss allowance for trade and bills receivables is estimated based on lifetime ECL model, which is estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.</p>	<p>We obtained an understanding of how the ECL of trade and bills receivables were assessed by the management.</p>
<p>We have identified ECL of trade and bills receivables as a key audit matter because the amount is significant to the Group and the impairment assessment of trade and bills receivables involved a significant degree of management estimation and may be subject to management bias.</p>	<p>We have challenged management's assumption and judgement in determining ECL on trade and bills receivables as at 31 December 2025, the reasonableness of management's grouping of the trade debtors in the provision matrix, and the basis of expected credit loss rates applied with reference to historical default rates and forward looking information.</p>
	<p>We have tested, on sample basis, payment history, past due status of the trade and bills receivables, and the settlements subsequent to the end of the reporting period.</p>



## INDEPENDENT AUDITOR'S REPORT

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### Other Information

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

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

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

### Responsibilities of Directors of the Company and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

The audit committee is 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Law Kwok Chuen.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Law Kwok Chuen**

Practising Certificate Number: P08553

Hong Kong

27 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	<b>1,073,500</b>	1,078,589
Cost of sales		<b>(928,863)</b>	(942,134)
Gross profit		<b>144,637</b>	136,455
Other income	7	<b>7,292</b>	9,373
Selling and distribution expenses		<b>(35,235)</b>	(35,759)
Administrative expenses		<b>(58,800)</b>	(56,261)
Finance costs	8	<b>(12,458)</b>	(11,832)
Profit before tax		<b>45,436</b>	41,976
Income tax expenses	9	<b>(8,095)</b>	(4,953)
Profit for the year	10	<b>37,341</b>	37,023
Profit (loss) for the year attributable to:			
— Owner of the Company		<b>37,871</b>	37,023
— Non-controlling interest		<b>(530)</b>	—
		<b>37,341</b>	37,023
Other comprehensive income (expense) for the year:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating foreign operations		<b>13,181</b>	(3,351)
Total comprehensive income for the year		<b>50,522</b>	33,672
Total comprehensive income (expense) attributable to:			
— Owners of the Company		<b>51,812</b>	33,672
— Non-controlling interest		<b>(1,290)</b>	—
		<b>50,522</b>	33,672
Earnings per share			
Basic and diluted (RMB cents)	14	<b>6.31</b>	6.17

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment	15	381,300	155,866
Right-of-use assets	16	130,458	40,429
Intangible assets	17	130	111
Investment properties	18	43,770	45,297
Deferred tax assets	29	335	379
Deposit paid for acquisition of property, plant and equipment	21	3,548	—
		<b>559,541</b>	242,082
<b>Current Assets</b>			
Inventories	19	111,552	119,970
Trade and bills receivables	20	345,635	292,120
Prepayments and other receivables	21	29,624	110,012
Amount due from a related company	22	1,050	16,319
Time deposits	23	20,159	19,465
Bank balances and cash	24	137,256	65,021
		<b>645,276</b>	622,907
<b>Current Liabilities</b>			
Trade and bills payables	25	248,480	189,756
Accruals and other payables	26	112,006	49,032
Contract liabilities	27	2,429	2,124
Income tax payable		362	2,932
Lease liabilities	16	3,973	3,307
Borrowings	28	258,923	237,046
		<b>626,173</b>	484,197
<b>Net current assets</b>		<b>19,103</b>	138,710
<b>Total assets less current liabilities</b>		<b>578,644</b>	380,792

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Non-current Liabilities</b>			
Borrowings	28	178,532	70,432
Lease liabilities	16	3,990	85
Deferred tax liabilities	29	17,379	17,012
		<b>199,901</b>	87,529
<b>Net assets</b>		<b>378,743</b>	293,263
<b>Capital and Reserves</b>			
Share capital	33	5,035	5,035
Reserves	34	340,040	288,228
		<b>345,075</b>	293,263
Non-controlling interests		<b>33,668</b>	—
<b>Total Equity</b>		<b>378,743</b>	293,263

The consolidated financial statements on pages 107 to 178 were approved and authorised for issue by the board of directors on 27 March 2026 and are signed on its behalf by:

**Xue Shidong**

**Jin Rongwei**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company						Total	Non-controlling interest	Total
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Retained profits			
	RMB'000 (Note 33)	RMB'000	RMB'000 (Note 34(a))	RMB'000	RMB'000 (Note 34(b))	RMB'000	RMB'000	RMB'000	
At 1 January 2024	5,035	41,670	(4,313)	(3,698)	20,320	217,201	276,215	—	276,215
Profit for the year	—	—	—	—	—	37,023	37,023	—	37,023
Exchange difference arising on translating a foreign operation	—	—	—	(3,351)	—	—	(3,351)	—	(3,351)
Total comprehensive (expense) income for the year	—	—	—	(3,351)	—	37,023	33,672	—	33,672
Appropriation to statutory reserve	—	—	—	—	507	(507)	—	—	—
Dividends paid (note 13)	—	(16,624)	—	—	—	—	(16,624)	—	(16,624)
As at 31 December 2024	5,035	25,046	(4,313)	(7,049)	20,827	253,717	293,263	—	293,263
At 1 January 2025	<b>5,035</b>	<b>25,046</b>	<b>(4,313)</b>	<b>(7,049)</b>	<b>20,827</b>	<b>253,717</b>	<b>293,263</b>	—	<b>293,263</b>
Profit (loss) for the year	—	—	—	—	—	<b>37,871</b>	<b>37,871</b>	<b>(530)</b>	<b>37,341</b>
Exchange difference arising on translating a foreign operation	—	—	—	<b>13,941</b>	—	—	<b>13,941</b>	<b>(760)</b>	<b>13,181</b>
Total comprehensive income (expense) for the year	—	—	—	<b>13,941</b>	—	<b>37,871</b>	<b>51,812</b>	<b>(1,290)</b>	<b>50,522</b>
Appropriation to statutory reserve	—	—	—	—	<b>885</b>	<b>(885)</b>	—	—	—
Acquisition of a subsidiary (note 37)	—	—	—	—	—	—	—	<b>23,700</b>	<b>23,700</b>
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	<b>11,258</b>	<b>11,258</b>
As at 31 December 2025	<b>5,035</b>	<b>25,046</b>	<b>(4,313)</b>	<b>6,892</b>	<b>21,712</b>	<b>290,703</b>	<b>345,075</b>	<b>33,668</b>	<b>378,743</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	45,436	41,976
Adjustments for:		
Amortisation of intangible assets	60	111
Depreciation of property, plant and equipment ("PPE")	22,808	20,275
Depreciation of investment properties	1,527	1,527
Finance costs	12,458	11,832
Reversal of impairment loss on trade and bills receivables	(224)	(433)
Depreciation of right-of-use assets	5,138	7,468
Loss on disposal of PPE	107	736
Government subsidies	(677)	(675)
Bank interest income	(344)	(1,219)
Operating cash flows before working capital changes	86,289	81,598
Decrease in inventories	8,418	2,342
Increase in trade and bills receivables	(44,854)	(18,353)
Decrease (increase) in prepayments and other receivables	25,643	(33,511)
Increase in trade and bills payables	64,888	34,245
(Decrease) increase in accruals and other payables	(24,132)	106
Increase (decrease) in contract liabilities	305	(852)
Cash generated from operations	116,557	65,575
Income taxes paid	(10,291)	(11,239)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>106,266</b>	<b>54,336</b>
<b>INVESTING ACTIVITIES</b>		
Placement of time deposits	(20,678)	(19,465)
Payments for purchase of PPE	(170,023)	(31,667)
Payments for purchase of intangible assets	(80)	—
Proceeds received from disposal of PPE	1,286	720
Repayment from (advance to) a related company	15,269	(16,319)
Interests received	344	1,219
Payment of refundable deposit for potential investments	—	(55,690)
Net cash inflow from acquisition of a subsidiary	84	—
Withdrawal of time deposits	19,035	66,745
Proceeds from contribution from non-controlling interests	11,258	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(143,505)</b>	<b>(54,457)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	462,644	307,478
Government subsidies received	677	675
Repayment to a related company	—	(241)
Dividends paid	—	(11,599)
Payments of lease liabilities	(3,495)	(4,276)
Interests paid	(14,157)	(12,449)
Repayments of borrowings	(330,918)	(313,365)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>114,751</b>	<b>(33,777)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>77,512</b>	<b>(33,898)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>65,021</b>	<b>100,238</b>
Effect of foreign exchange rate changes	(5,277)	(1,319)
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>137,256</b>	<b>65,021</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 1. Corporate Information

Yadong Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 22 September 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 November 2020 (the “**Listing**”). Its immediate and ultimate holding company is Oriental Ever Holdings Limited (“**Oriental Ever Holdings**”), a company with limited liability incorporated in the British Virgin Islands (the “**BVI**”). Oriental Ever Holdings is wholly and directly owned by Mr. Xue Liang, who is the son of a director of the Company, Mr. Xue Shidong (the “**Controlling Shareholder**”).

The address of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at No. 381 Laodong East Road, Tianning District, Changzhou, Jiangsu Province, China.

The Company is an investment holding company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in sales of fabrics products and provision of dyeing and processing services. Particulars of the subsidiaries have been set out in note 40.

The consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

## 2. Application of New and Amendments to HKFRS Accounting Standards

### Application of amendments to a HKFRS Accounting Standard

In the current year, the Group has applied, for the first time, the following amendments to a HKFRS Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2025:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKAS 21 in the current year has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 2. Application of New and Amendments to HKFRS Accounting Standards (Continued)

#### New and amendments to HKFRS Accounting Standards issued but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency <sup>2</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> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

#### HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future consolidated financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

### 3. Material Accounting Policy Information

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policy information are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income or expenses of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### Revenue from contracts with customers

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

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

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

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

### 3. Material Accounting Policy Information (Continued)

#### Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

The Group recognised revenue from the following major sources:

- sales of plain weave fabrics and corduroy fabrics
- provision of dyeing and processing services

The revenue from the sale of plain weave fabrics and corduroy fabrics are recognised at a point in time when the control of products is transferred to the customer upon delivery.

The revenue from the provision of dyeing and processing services is recognised according to the terms of service contracts. The terms of these contracts do not create an enforceable right to payment for the performance completed to date. Accordingly, such revenue is recognised at a point in time when the control of the final products is transferred to the customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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### 3. Material Accounting Policy Information (Continued)

#### Foreign currencies (Continued)

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

#### Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

#### Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

#### Research and development expenses

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

#### Retirement benefits costs

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### 3. Material Accounting Policy Information (Continued)

#### Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

#### Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Taxation (Continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, for provisions for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred, the Group applies HKAS 12 requirement to lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss.

#### Property, plant and equipment

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

##### Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

## 3. Material Accounting Policy Information (Continued)

### Property, plant and equipment (Continued)

#### Ownership interests in leasehold land and buildings (Continued)

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

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

### Intangible assets

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

### Investment properties

Investment properties are properties held to earn rentals. Investment properties include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property held by the Group as a right-of-use asset is measured initially at cost in accordance with HKFRS 16.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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### 3. Material Accounting Policy Information (Continued)

#### Investment properties (Continued)

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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment. If an investment property becomes an property under development for sale in the ordinary course of business when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an property under development.

#### Impairment losses on property, plant and equipment, right-of-use assets, intangible asset and investment properties

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and investment properties with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

### 3. Material Accounting Policy Information (Continued)

#### **Impairment losses on property, plant and equipment, right-of-use assets, intangible asset and investment properties (Continued)**

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 the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

#### **Cash and cash equivalents**

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Leasing

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

##### The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

##### Lease liabilities

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

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

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

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

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

### 3. Material Accounting Policy Information (Continued)

#### Leasing (Continued)

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

##### *Lease liabilities (Continued)*

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

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

##### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

The Group applies HKAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Leasing (Continued)

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

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

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

##### *Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- 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.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### The Group as lessor

The Group enters into lease agreements as a lessor with respect to sale and leaseback transactions. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

##### *Sale and leaseback transactions*

##### The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9 Financial Instruments. Right of use asset and lease liability are subsequently measured in accordance with the general requirements under HKFRS 16 Leases. In measuring the lease liability, the Group determines "lease payments" or "revised lease payments" (including both lease payments that are fixed or variable) in a way that the Group would not recognise any amount of the gain or loss that relates to the right of use assets retained by the Group.

## 3. Material Accounting Policy Information (Continued)

### Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“**FVTOCI**”), and fair value through profit or loss (“**FVTPL**”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

#### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

###### *Amortised cost and effective interest income*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

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

###### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, amounts due from a related company, time deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

### 3. Material Accounting Policy Information (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

The Group always recognises lifetime ECL for trade and bills receivables. The Group determines the ECL collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

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

##### *Significant increase in credit risk*

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### *Significant increase in credit risk (Continued)*

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the debtor 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 fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

##### *Definition of default*

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

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

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

## 3. Material Accounting Policy Information (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### *Write-off policy*

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

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

Except the ECL on the amount due from a related company is determined on an individual basis, ECL on other financial assets are determined collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 3. Material Accounting Policy Information (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

###### *Measurement and recognition of ECL (Continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

###### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

##### Financial liabilities and equity instruments

###### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

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

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

###### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination or (2) held-for-trading, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## 3. Material Accounting Policy Information (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Key sources of estimation uncertainty

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

#### Estimated depreciation and useful lives of property, plant and equipment and right-of-use assets

The directors of the Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions or useful lives. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors of the Company will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2025 amounted to approximately RMB381,300,000 (2024: RMB155,866,000) and RMB130,458,000 (2024: RMB40,429,000) respectively.

#### Estimated impairment of property, plant and equipment and right-of-use assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined if there is indication that those assets may be impaired. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2025 amounted to approximately RMB381,300,000 (2024: RMB155,866,000) and RMB130,458,000 (2024: RMB40,429,000) respectively. No impairment was recognised for property, plant and equipment and right-of-use assets during the years ended 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 4. Key Sources of Estimation Uncertainty (Continued)

#### Key sources of estimation uncertainty (Continued)

##### ECL of trade and bills receivables

The management of the Group uses provision matrix to estimate the lifetime ECL for the trade and bills receivables. The ECL of trade and bills receivables are estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 20.

As at 31 December 2025, the Group had trade and bills receivables of approximately RMB345,635,000 (2024: RMB292,120,000), net of accumulated loss allowance for ECL of approximately RMB773,000 (2024: RMB997,000). Reversal of impairment loss of RMB224,000 (2024: RMB433,000) has been recognised during the year ended 31 December 2025.

##### Estimated impairment of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

As at 31 December 2025, the carrying amount of inventories was approximately RMB111,552,000 (2024: RMB119,970,000). No impairment of inventories was recognised during the years ended 31 December 2025 and 2024.

### 5. Revenue

Revenue represents the amounts received and receivable arising from sales of fabric products and provision of dyeing and processing services, net of sales related taxes for the year. The Group's revenue is recognised at a point in time. An analysis of the Group's revenue disaggregated by major products or service lines is as follows:

	2025 RMB'000	2024 RMB'000
Sales of plain weave fabrics	826,083	894,857
Sales of corduroy fabrics	200,909	140,887
Provision of dyeing and processing services	46,508	42,845
	<b>1,073,500</b>	1,078,589

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 5. Revenue (Continued)

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

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

### 6. Segment Information

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in sales of fabrics products and provision of dyeing and processing services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

#### Geographical information

The Group's manufacturing and operations are located in the People's Republic of China (the "PRC") and Vietnam.

An analysis of the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2025	2024
	RMB'000	RMB'000
The PRC	784,331	800,998
Bangladesh	116,650	110,711
Vietnam	77,875	72,855
Japan	35,916	27,659
Others	58,728	66,366
	1,073,500	1,078,589

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 6. Segment Information (Continued)

#### Geographical information (Continued)

	Non-current assets	
	2025 RMB'000	2024 RMB'000
The PRC	271,501	241,703
Vietnam	287,627	—
Others	78	—
	<b>559,206</b>	241,703

Note: Non-current assets excluded deferred tax assets.

#### Information about major customers

There are no customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2025 and 2024.

### 7. Other Income

	2025 RMB'000	2024 RMB'000
Bank interest income	344	1,219
Exchange gain, net	—	2,880
Government subsidies (note i)	677	675
Rental income (note ii)	4,459	3,685
Reversal of impairment loss on trade and bill receivables	224	433
Sundry income	1,588	481
	<b>7,292</b>	9,373

Notes:

- (i) The government subsidies represent the one-off government subsidies that were received from local government authorities of which the entitlements were unconditional and under the discretion of the relevant authorities. The amounts were therefore immediately recognised as other income during the years ended 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 7. Other Income (Continued)

Notes: (Continued)

(ii) An analysis of Group's net rental income is as follows:

	2025 RMB'000	2024 RMB'000
Gross rental income from investment properties	4,459	3,685
Less:		
— direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	(754)	(670)
— direct operating expenses incurred for investment properties that did not generate rental income during the year (included in administrative expenses)	(437)	(500)
	<b>3,268</b>	2,515

### 8. Finance Costs

	2025 RMB'000	2024 RMB'000
Interests on:		
Borrowings	13,851	11,650
Lease liabilities	190	182
	<b>14,041</b>	11,832
Less: amounts capitalised	<b>(1,583)</b>	—
	<b>12,458</b>	11,832

Borrowing costs capitalised during the year ended 31 December 2025 arose on the specific borrowing which carried interest at 6.3% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 9. Income Tax Expenses

	2025 RMB'000	2024 RMB'000
Current tax:		
Hong Kong Profits Tax	7,684	7,388
PRC Enterprise Income Tax ("EIT")	—	—
	7,684	7,388
Over-provision in respect of prior years	—	(2,536)
	7,684	4,852
Deferred tax (note 29)	411	101
	8,095	4,953

Notes:

- (i) Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.
- (ii) Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the years ended 31 December 2025 and 2024, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.
- (iii) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of Yadong (Changzhou) Science and Technology Co., Ltd. ("Yadong (Changzhou)", a subsidiary of the Group established in PRC is 25% for both years. In December 2024, Yadong (Changzhou) obtained a high-tech enterprise certificate and is subject to EIT at a reduced rate of 15% for three years from 2024 to 2026.
- (iv) A tax concession of 100% was granted to the Group under Hong Kong tax jurisdiction which is subject to a ceiling of HK\$3,000 per company for the year ended 31 December 2025 (2024: HK\$1,500).
- (v) No provision for taxation has been made for the Singapore and Vietnam subsidiaries as the subsidiaries had no assessable profits during the year ended 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 9. Income Tax Expenses (Continued)

The income tax expenses for the years ended 31 December 2025 and 2024 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	45,436	41,976
Tax at the domestic income tax rate of 25% (2024: 25%)	11,359	10,494
Tax effect of expenses not deductible for tax purpose	1,550	770
Tax effect of income not taxable for tax purpose	(16)	(21)
Tax effect of a lower tax rate in the PRC	(456)	278
Effect of two-tiered profits tax rates regime	(152)	(152)
Hong Kong Profits Tax concession	(3)	(1)
Additional tax deduction for research and development expenses	(5,653)	(5,267)
Tax effect of tax losses not recognised	4,585	5,385
Withholding tax on undistributed earnings of a PRC subsidiary (note 29)	367	—
Over-provision in prior years	—	(2,536)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,486)	(3,997)
Income tax expenses	8,095	4,953

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 10. Profit for the Year

	2025 RMB'000	2024 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	<b>3,680</b>	3,725
Salaries, allowances and other benefits (excluding directors' emoluments)	<b>81,420</b>	70,835
Contributions to retirement benefits scheme (excluding directors' emoluments)	<b>11,357</b>	8,213
<b>Total staff costs</b>	<b>96,457</b>	82,773
Auditor's remuneration	<b>1,025</b>	1,027
Amortisation of intangible assets	<b>60</b>	111
Amount of inventories recognised as an expense	<b>888,106</b>	904,449
Loss on disposal of property, plant and equipment	<b>107</b>	736
Depreciation of property, plant and equipment	<b>22,808</b>	20,275
Depreciation of right-of-use assets	<b>5,138</b>	7,468
Depreciation of investment properties	<b>1,527</b>	1,527
Research and development costs recognised as an expense (note a)	<b>37,684</b>	35,113
Reversal of impairment loss on trade and bills receivables	<b>(224)</b>	(433)

Note (a): Included in research and development expenses was staff costs of approximately RMB15,230,000 (2024: RMB15,782,000) which has been included in staff costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 11. Directors' Emoluments

Details of directors' emoluments are as follows:

	Fees RMB'000	Discretionary performance related bonus RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
<b>Year ended 31 December 2025</b>					
<i>Executive Directors</i>					
Mr. Xue Shidong (薛士東)	—	425	611	—	1,036
Ms. Zhang Yeping (張葉萍)	92	240	481	—	813
Mr. Wang Bin (王斌)	—	340	524	35	899
Mr. Jin Rongwei (金榮偉)	—	120	445	35	600
Mr. Xiang Wenbin (香文斌)	—	—	—	—	—
<i>Independent non-executive Directors</i>					
Mr. Ho Kin Cheong Kelvin (何建昌)	111	—	—	—	111
Mr. Zhu Qi (朱旗)	111	—	—	—	111
Mr. Wang Hongliang (王洪亮) (note (ii))	101	—	—	—	101
Ms. Li Jing (李靜) (note (iii))	9	—	—	—	9
	<b>424</b>	<b>1,125</b>	<b>2,061</b>	<b>70</b>	<b>3,680</b>
<b>Year ended 31 December 2024</b>					
<i>Executive Directors</i>					
Mr. Xue Shidong (薛士東)	—	435	607	—	1,042
Ms. Zhang Yeping (張葉萍)	92	103	480	—	675
Mr. Wang Bin (王斌)	—	548	481	34	1,063
Mr. Jin Rongwei (金榮偉)	—	91	487	34	612
Mr. Xiang Wenbin (香文斌)	—	—	—	—	—
<i>Independent non-executive Directors</i>					
Mr. Ho Kin Cheong Kelvin (何建昌)	111	—	—	—	111
Mr. Zhu Qi (朱旗)	111	—	—	—	111
Mr. Wang Hongliang (王洪亮)	111	—	—	—	111
	<b>425</b>	<b>1,177</b>	<b>2,055</b>	<b>68</b>	<b>3,725</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 11. Directors' Emoluments (Continued)

Notes:

- (i) The executive directors' emoluments shown above were mainly paid for their services as a director in connection with the management of the affairs of the Company and the Group. The discretionary bonus for the years ended 31 December 2025 and 2024 were determined by the board of directors with reference to the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The independent non-executive directors' emoluments shown above were mainly paid for their services as a director.

No directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024. No emoluments were paid by the Group to any of these directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2025 and 2024.

No chief executive was appointed during the years ended 31 December 2025 and 2024.

- (ii) Resigned on 30 November 2025.
- (iii) Appointed on 30 November 2025.

### 12. Employees' Emoluments

In 2025, three (2024: four) of the five individuals with the highest emoluments in the Group were the directors of the Company, whose emoluments are set out in note 11 above. The emoluments of the remaining highest paid individuals were as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and other benefits	2,217	845
Contributions to retirement benefits scheme	33	34
	<b>2,250</b>	879

Their emoluments were within the following band:

	2025 Number of individuals	2024 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately: 31/12/2025: Nil to RMB922,000 31/12/2024: Nil to RMB924,000)	—	1
HK\$1,000,000 to HK\$1,500,000 (equivalent to approximately: 31/12/2025: RMB922,000 to RMB1,383,000 31/12/2024: RMB924,000 to RMB1,385,000)	2	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 12. Employees' Emoluments (Continued)

No emoluments were paid by the Group to any of the five highest paid individuals of the Group including the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2025 and 2024.

### 13. Dividends

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

### 14. Earnings Per Share

The calculation of the basic earnings per share during the years ended 31 December 2025 and 2024 is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	2025 RMB'000	2024 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	37,871	37,023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,000	600,000

#### Diluted earnings per share

Diluted earnings per share is as same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 15. Property, Plant and Equipment

	Leasehold improvement RMB'000	Plant and machineries RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Building RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>								
At 1 January 2024	39,308	129,176	1,445	7,449	2,734	39,731	915	220,758
Additions	11,758	15,248	—	—	175	—	4,486	31,667
Transfer from construction in progress	—	211	—	—	—	—	(211)	—
Elimination on disposals	—	(3,577)	—	(1,834)	—	—	—	(5,411)
At 31 December 2024 and 1 January 2025	51,066	141,058	1,445	5,615	2,909	39,731	5,190	247,014
Additions	16,112	33,532	—	453	154	1,059	199,649	250,959
Addition through acquisition of a subsidiary (note 37)	4	—	—	—	—	—	1,711	1,715
Transfer from construction in progress	—	4,541	—	—	—	—	(4,541)	—
Elimination on disposals	—	(9,191)	—	—	—	—	—	(9,191)
Exchange realignment	(1)	(2)	—	(7)	—	—	(3,029)	(3,039)
At 31 December 2025	67,181	169,938	1,445	6,061	3,063	40,790	198,980	487,458
<b>ACCUMULATED DEPRECIATION</b>								
At 1 January 2024	9,197	57,909	743	3,294	2,004	1,681	—	74,828
Charge for the year	6,674	10,738	104	1,066	264	1,429	—	20,275
Elimination on disposals	—	(2,676)	—	(1,279)	—	—	—	(3,955)
At 31 December 2024 and 1 January 2025	15,871	65,971	847	3,081	2,268	3,110	—	91,148
Charge for the year	7,048	12,987	105	1,017	216	1,435	—	22,808
Elimination on disposals	—	(7,798)	—	—	—	—	—	(7,798)
At 31 December 2025	22,919	71,160	952	4,098	2,484	4,545	—	106,158
<b>CARRYING VALUES</b>								
At 31 December 2025	44,262	98,778	493	1,963	579	36,245	198,980	381,300
At 31 December 2024	35,195	75,087	598	2,534	641	36,621	5,190	155,866

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 15. Property, Plant and Equipment (Continued)

- (i) The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following basis:

Leasehold improvement	3 to 10 years or over lease term whichever is shorter
Plant and machineries	3 to 5 years
Furniture and fixture	5 years
Motor vehicles	5 years
Office equipment	5 years
Building	30 years

- (ii) The Group has pledged building of approximately RMB35,192,000 (2024: RMB36,621,000) as at 31 December 2025 to secure general banking facilities granted to the Group. Details of which are set out in notes 28 and 31.

- (iii) During the years ended 31 December 2025 and 2024, the Group entered into sales and leaseback agreements. Pursuant to which, the Group sells certain machineries to a financial institution, which shall then be leased back for use by the Group, with the lease period of two to three years (2024: two years) from the date of inception. Upon expiry of the lease term, the Group has the right to repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB1,000 and RMB100 (2024: RMB1,000). The Group continues to recognise these machineries and the transfer proceeds were recognised as secured other borrowings as set out in note 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 16. Leases

#### (i) Right-of-use assets

	2025 RMB'000	2024 RMB'000
Land	122,498	37,116
Factory, warehouse and offices	7,960	3,313
	130,458	40,429

The additions to right-of-use assets for the year ended 31 December 2024 amounted to approximately RMB6,456,000 due to the new leases of factory, warehouse and offices. Included in the additions to the right-of-use assets is a new lease with a related company, Changzhou Dongxia Real Estate Agency Ltd.\* (常州市東霞房地產代理有限公司) (“**Dongxia**”), which is beneficially owned by Mr. Xue Shidong, the director of the Company, amounted to approximately RMB6,214,000.

During the year ended 31 December 2025, the Group renewed a lease contract with landlord to extend the lease term. The respective lease modification on right-of-use asset and lease liability of approximately RMB7,882,000 are recognised accordingly.

The right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

The right-of-use assets of land represent land use right located in the PRC and Vietnam with a useful life of 28 years and 58 years. The leases of factory, warehouse and offices located in the PRC and Hong Kong with lease terms are 24 months.

The Group has pledged the land with carrying value of approximately RMB122,498,000 as at 31 December 2025 (2024: RMB37,116,000) to secure general banking facilities granted to the Group. For the details, please refer to notes 28 and 31.

\* The English name is for identification only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 16. Leases (Continued)

#### (ii) Lease liabilities

	2025 RMB'000	2024 RMB'000
Analysed as:		
Current portion	3,973	3,307
Non-current portion	3,990	85
	<b>7,963</b>	3,392
	2025 RMB'000	2024 RMB'000
<b>Amounts payable under lease liabilities</b>		
Within one year	3,973	3,307
After one year but within two years	3,990	85
	<b>7,963</b>	3,392
Less: Amount due for settlement within 12 months (Shown under current liabilities)	<b>(3,973)</b>	(3,307)
Amount due for settlement after 12 months	<b>3,990</b>	85

The weighted average incremental borrowing rate is 4.33% (2024: 5.50%).

#### (iii) Amounts recognised in profit or loss

	2025 RMB'000	2024 RMB'000
Depreciation expense on right-of-use-assets		
— Land	1,909	1,448
— Factory, warehouse and offices	3,229	3,280
— Machineries	—	2,740
Interest expense on lease liabilities	190	182
Expense relating to short-term leases	132	—

During the year ended 31 December 2025, the total cash outflows for lease was approximately RMB3,627,000 (2024: RMB4,276,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 16. Leases (Continued)

#### (iii) Amounts recognised in profit or loss (Continued)

The Group had no expenses relating to variable lease payments not included in the measurement of the lease liability or leases of low value assets or short term lease during the years ended 31 December 2025 and 2024. All lease payments are fixed payments.

As at 31 December 2025, certain right-of-use assets (i.e. factory and warehouse) of RMB7,882,000 (2024: RMB3,107,000) is leased from Dongxia. The lease payment was based on mutually agreed terms with reference to market rates.

### 17. Intangible Assets

	<b>Computer software</b> RMB'000
<b>COST</b>	
At 1 January 2024, 31 December 2024 and 1 January 2025	1,010
Additions	80
Exchange realignment	(1)
At 31 December 2025	1,089
<b>AMORTISATION</b>	
At 1 January 2024	788
Charge for the year	111
At 31 December 2024 and 1 January 2025	899
Charge for the year	60
At 31 December 2025	959
<b>CARRYING VALUES</b>	
<b>At 31 December 2025</b>	130
At 31 December 2024	111

The above intangible assets were acquired from third party and have finite useful lives. Such intangible assets are amortised on a straight-line basis over five years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 18. Investment Properties

	<b>Land and Building</b> RMB'000
<b>COST</b>	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	51,174
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>	
At 1 January 2024	4,350
Provided for the year	1,527
At 31 December 2024 and 1 January 2025	5,877
Provided for the year	1,527
At 31 December 2025	7,404
<b>CARRYING VALUES</b>	
<b>At 31 December 2025</b>	<b>43,770</b>
At 31 December 2024	45,297

The fair value of the Group's investment properties as at 31 December 2025 was RMB58,000,000 (2024: RMB59,000,000). The fair value has been arrived at based on a valuation carried out by Cushman & Wakefield ("Cushman & Wakefield"), a member of Hong Kong Institute of Surveyors by market comparison approach with reference to the prices for similar properties in the similar locations and conditions. The valuation of the fair value of the investment properties is grouped into fair value hierarchy Level 3. In estimating the fair value of the investment properties, the highest and best use of fair value hierarchy is its current use.

There were no transfers between levels of fair value hierarchy during the year.

The investment properties are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

The land of investment properties represent land use right located in the PRC for with a useful life of 43 years and the building of investment properties located in the PRC with useful life of 43 years.

The Group has pledged the investment properties with carrying value of approximately RMB43,770,000 as at 31 December 2025 (2024: RMB45,297,000) to secure general banking facilities granted to the Group. For the details, please refer to notes 28 and 31.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 19. Inventories

	2025 RMB'000	2024 RMB'000
Raw materials	22,687	21,016
Work in progress	57,471	59,229
Finished goods	31,394	39,725
	<b>111,552</b>	119,970

### 20. Trade and Bills Receivables

	2025 RMB'000	2024 RMB'000
Trade receivables	319,356	267,082
Bills receivables	27,052	26,035
Less: Allowance for impairment of trade and bills receivables	(773)	(997)
	<b>345,635</b>	292,120

As at 31 December 2025, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB346,408,000 (2024: RMB293,117,000).

The Group allows credit period of up to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2025 RMB'000	2024 RMB'000
Within 30 days	245,179	216,631
31 to 60 days	50,200	44,349
61 to 90 days	19,429	24,295
91 to 180 days	30,827	6,845
Total	<b>345,635</b>	292,120

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for trade and bills receivables in grouped based on shared credit risk characteristics as at 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 20. Trade and Bills Receivables (Continued)

#### Impairment assessment on trade and bills receivables subject to ECL model

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due ageing status is not further distinguished between the Group's different customer bases.

There has been no change in the estimation techniques or significant assumption made during the years ended 31 December 2025 and 2024.

The Group recognised lifetime ECL for trade and bills receivables based on past due ageing status as follows:

	<b>Weighted average expected loss rate</b>	<b>Gross carrying amount</b> RMB'000	<b>Loss allowance</b> RMB'000
As at 31 December 2025			
Current (not past due)	<b>0.21%</b>	<b>324,437</b>	<b>649</b>
Less than 30 days	<b>0.36%</b>	<b>1,109</b>	<b>4</b>
31 to 60 days	<b>0.55%</b>	<b>19,742</b>	<b>109</b>
61 to 90 days	<b>0.67%</b>	<b>71</b>	<b>1</b>
91 to 180 days	<b>0.78%</b>	<b>1,049</b>	<b>10</b>
		<b>346,408</b>	<b>773</b>
As at 31 December 2024			
Current (not past due)	0.33%	278,321	927
Less than 30 days	0.45%	12,789	57
31 to 60 days	0.56%	1,998	11
61 to 90 days	0.67%	5	1
91 to 180 days	0.78%	4	1
		293,117	997

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 20. Trade and Bills Receivables (Continued)

The movement in the impairment loss of trade and bills receivables during the years ended 31 December 2025 and 2024 is as follows:

	<b>Impairment loss allowance</b> RMB'000
Balance as at 1 January 2024	1,430
Reversal of impairment loss	(433)
Balance as at 31 December 2024	997
Reversal of impairment loss	(224)
Balance as at 31 December 2025	773

The decrease in loss allowance during the year ended 31 December 2025 was mainly due to the decrease in weighted average expected credit loss rates resulting from the change in risk parameters including the probability of default.

### 21. Prepayments and Other Receivables

	<b>2025</b> RMB'000	2024 RMB'000
Non-current assets		
Deposit paid for acquisition of PPE	<b>3,548</b>	—
Current assets		
Refundable deposit for potential investments (note a)	—	55,690
Prepayments to suppliers	<b>24,641</b>	41,270
Other tax recoverables	<b>1,780</b>	3,591
Other receivables	<b>3,203</b>	9,461
	<b>29,624</b>	110,012
	<b>33,172</b>	110,012

Note a: As at 31 December 2024, a refundable deposit of United States dollars ("US\$") 7,600,000 (equivalent to approximately RMB55,690,000) was paid to an independent third party for potential investments associated with prospective business expansion in Southeast Asia in which an acquisition of a subsidiary has been completed on 25 July 2025 and the deposit was included as part of the consideration.

Note b: ECL on other receivables are insignificant as they are low risk of default and no significant increase in credit risk as at 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 22. Amount Due from a Related Company

The amount due from a related company is unsecured, non-interest bearing, repayable on demand and non-trade in nature.

The management considered that the amount due from a related company to be low credit risk and thus no impairment provision is recognised during the years ended 31 December 2025 and 2024.

### 23. Time Deposits

As at 31 December 2025, the Group had fixed-term time deposits in banks in the PRC with maturity of more than three months but less than one year. The deposit carries fixed interests rate ranging from 0.35% to 4.30% (2024: 0.35%) per annum.

### 24. Bank Balances and Cash

At 31 December 2025, bank balances earned interest at floating rates based on daily bank deposit rates ranging from 0.05% to 0.35% (2024: 0.05% to 0.35%) per annum.

### 25. Trade and Bills Payables

	2025 RMB'000	2024 RMB'000
Trade payables	235,419	189,756
Bills payables	13,061	—
	<b>248,480</b>	189,756

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 25. Trade and Bills Payables (Continued)

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	2025 RMB'000	2024 RMB'000
Within 30 days	180,658	140,322
31 to 60 days	34,219	28,385
61 to 90 days	20,833	10,990
91 to 180 days	11,979	9,594
181 to 365 days	622	301
Over 365 days	169	164
<b>Total</b>	<b>248,480</b>	<b>189,756</b>

The average credit period on purchases of goods is ranging from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 26. Accruals and Other Payables

	2025 RMB'000	2024 RMB'000
Accrued salaries (note a)	17,778	14,750
Accrued expenses	3,557	3,443
Interest payables	95	401
Payables for acquisition of PPE	55,054	—
Dividend payable	29,630	29,630
Other tax payables	4,823	—
Others	1,069	808
<b>Total</b>	<b>112,006</b>	<b>49,032</b>

Note:

- (a) Accrued salaries included emoluments payable to the directors of the Company amounting to approximately RMB1,261,000 (2024: RMB1,680,000) as at 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 27. Contract Liabilities

	2025 RMB'000	2024 RMB'000
Contract liabilities	2,429	2,124

Contract liabilities represent advances received from customers related to sales of fabric products.

Movements in the contract liabilities during the years ended 31 December 2025 and 2024 are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of year	2,124	2,976
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	(2,124)	(2,976)
Increase in contract liabilities as a result of cash received, excluding amounts recognised during the year	2,429	2,124
At the end of year	2,429	2,124

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 28. Borrowings

	2025 RMB'000	2024 RMB'000
<b>Current</b>		
Bank borrowings, secured	<b>162,238</b>	125,600
Bank borrowings, unsecured	<b>67,000</b>	93,000
Other borrowings, secured	<b>29,685</b>	18,446
	<b>258,923</b>	237,046
<b>Non-current</b>		
Bank borrowings, secured	<b>144,549</b>	57,790
Other borrowings, secured	<b>33,983</b>	12,642
	<b>178,532</b>	70,432
	<b>437,455</b>	307,478
Analysed as:		
Secured bank borrowings	<b>306,787</b>	183,390
Secured other borrowings	<b>63,668</b>	31,088
Unsecured bank borrowings	<b>67,000</b>	93,000
	<b>437,455</b>	307,478

As at 31 December 2025, revolving and non-revolving term loans of approximately RMB114,941,000 and RMB191,846,000 (2024: RMB115,390,000 and RMB68,000,000), carried fixed interest rate ranging from 2.9% to 6.3% per annum (2024: 3.45% to 3.9% per annum), are secured by the Group's certain right-of-use assets, buildings and investment properties.

As at 31 December 2025, the unsecured bank borrowings and the related banking facilities of approximately RMB67,000,000 (2024: RMB93,000,000), carried fixed interest ranging from 3% to 3.1% (2024: 3.45% to 4.5%) per annum are guaranteed by (i) an independent financial guarantee company, (ii) an independent supplier and (iii) Mr. Xue Shidong, a director of the Group.

During the year ended 31 December 2025, the Group obtained new bank borrowings in the amount of RMB373,787,000 (2024: RMB276,390,000) for working capital purpose. Bank borrowings of RMB229,238,000 (2024: RMB218,600,000) are all repayable within one year based on scheduled repayment dates set out in the loan agreements and contain no repayable on demand clause. Bank borrowings of RMB144,549,000 (2024: RMB57,590,000) are repayable after one year but within two years, and contain no repayable on demand clause.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 28. Borrowings (Continued)

As at 31 December 2025, the other borrowings were under sales and leaseback agreements and secured by the Group's machineries with net carrying values of approximately RMB50,808,000 (2024: RMB25,960,000), carried fixed interest ranging from 0.56% to 2.10% (2024: 1.35% to 2.49%) per annum. Approximately RMB29,685,000 (2024: RMB18,446,000), RMB22,209,000 (2024: RMB12,642,000) and RMB11,774,000 (2024: nil) are repayable within one year, after one year but within two years and after two years but within three years respectively based on scheduled repayment dates set out in the agreements and contain no repayable on demand clause.

As at 31 December 2025 and 2024, the Group's bank and other borrowings are not subject to the fulfillment of covenants.

The amounts of banking facilities and the utilisation as at 31 December 2025 and 2024 are set out as follows:

	2025 RMB'000	2024 RMB'000
Facility amount	544,418	280,186
Utilisation		
Secured bank borrowings	306,787	183,390
Unsecured bank borrowings	67,000	93,000
	<b>373,787</b>	276,390

Details of pledged of assets are set out in note 31.

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2025 RMB'000	2024 RMB'000
Within one year or on demand	258,923	237,046
After one year but within two years	166,758	70,432
After two years but within three years	11,774	—
	<b>437,455</b>	307,478

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 29. Deferred Tax Assets (Liabilities)

The following is the analysis of the deferred tax assets (liabilities), for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	335	379
Deferred tax liabilities	(17,379)	(17,012)
	<b>(17,044)</b>	<b>(16,633)</b>

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2025 and 2024:

	Withholding tax on undistributed profit of a PRC subsidiary RMB'000 (Note)	Allowance of ECL RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	(17,012)	359	121	(16,532)
Charge to consolidated profit or loss	—	(65)	(36)	(101)
At 31 December 2024 and 1 January 2025	(17,012)	294	85	(16,633)
Charge to consolidated profit or loss	(367)	(33)	(11)	(411)
At 31 December 2025	(17,379)	261	74	(17,044)

Note: Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Deferred taxation has been provided in respect of the temporary differences associated with the undistributed profits earned by a PRC subsidiary, Yadong (Changzhou) at the applicable withholding tax of 10%.

At the end of the reporting period, the Group has estimated unused tax losses of approximately RMB50,566,000 (2024: RMB32,226,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB50,566,000 (2024: RMB32,226,000) that can be carried forward for five years from the year in which the respective loss arose.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 30. Retirement Benefits Plan

The Group operates a Mandatory Provident Fund Scheme (“the MPF Scheme”) Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by the Company’s directors and employees.

The employees of the Group’s subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage ranged from 1%-15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The employees of the Group’s subsidiary in Vietnam are members of a stated-sponsored employees’ social insurance scheme for its employees in Vietnam. The Group contributes to the scheme at a rate of 21.5% of the employee’s salary. The stated-sponsored social insurance scheme is responsible for the entire obligations payable to retired employees.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB11,427,000 (2024: RMB8,281,000) represents contributions payable to these schemes by the Group for the year ended 31 December 2025.

There were no contributions forfeited by the Group on behalf of its employees who left the schemes prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2025 and 2024, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

### 31. Pledge of Assets

At 31 December 2025 and 2024, the Group had pledged the following assets to secure facilities granted to the Group from banks and financial institutions:

	2025 RMB’000	2024 RMB’000
Building	35,192	36,621
Right-of-use assets	122,498	37,116
Investment properties	43,770	45,297
Machineries	50,808	25,960
	<b>252,268</b>	144,994

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 32. Share-Based Payment Transactions

#### Share-option scheme

During the year ended 31 December 2020, the Company has adopted a share option scheme (the “**Share Option Scheme**”) upon Listing. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The maximum number of unexercised share options issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from 21 October 2020 (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) (the “**Adoption Date**”) must not in aggregate exceed 10% of all the shares in issue as at the Listing. Therefore, it is expected that the Company may grant options in respect of up to 60,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 60,000,000 shares from time to time) to the participants under the Share Option Scheme.

Share options granted to a Director, chief executive or substantial shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option). In addition, any grant of share options to a substantial shareholder or an independent non-executive Director (or any of their respective close associates), in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company’s shares quoted on the Stock Exchange at the date of grant) in excess of HK\$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders’ approval in a general meeting.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option of the Company. During the years ended 31 December 2025 and 2024, no options were granted under the Share Option Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 33. Share Capital

#### Share capital of the Company

	Number of shares		Amount			
	2025	2024	2025 HK\$	2024 HK\$	2025 RMB'000	2024 RMB'000
Authorised ordinary shares at HK\$0.01 per share:						
At the beginning and the end of the year	10,000,000,000	10,000,000,000	100,000,000	100,000,000	83,918	83,918
Issued and fully paid ordinary shares at HK\$0.01 per share:						
At the beginning and the end of the year	600,000,000	600,000,000	6,000,000	6,000,000	5,035	5,035

### 34. Reserves

#### (a) Capital reserve

The capital reserve of the Group arose as a result of the acquisition of subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the amount of share capital of Qun Bong Global Limited ("Qun Bong").

#### (b) Statutory reserve

According to the PRC Company Law, the subsidiary in the PRC is required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 35. Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remained unchanged during the years ended 31 December 2025 and 2024.

The capital structure of the Group consists of net debt, which includes borrowings, net of time deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as the raise of additional borrowings as additional capital or the redemption of existing borrowings.

### 36. Financial Instruments

#### (a) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost (including bank balances and cash)	507,303	458,076
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	793,118	546,266

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, time deposits, bank balances and cash, amount due from a related company, trade and bills payables, accruals and other payables and borrowings.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk

##### (i) Currency risk

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk.

The Group also exposes to foreign currency risk relates principally to its other payables, borrowings, time deposits and bank balances denominated in foreign currencies other than the functional currency of the relevant group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2025		2024	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
HK\$	19,239	7	20,163	7
US\$	80,565	73,959	39,744	—
SGD	8	—	—	—

##### Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of HK\$/US\$ against RMB.

The following table details the Group's sensitivity to 5% (2024: 5%) increase and decrease in RMB against HK\$/US\$ for the year ended 31 December 2025. 5% (2024: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2024: 5%) change in foreign currency rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (i) Currency risk (Continued)

##### Sensitivity analysis (Continued)

A negative number below indicates a decrease in profit before tax for the year where RMB strengthen 5% (2024: 5%) against the relevant currency. For a 5% (2024: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2025 RMB'000	2024 RMB'000
Decrease in post-tax profit for the year:		
— if RMB strengthen against HK\$	(803)	(842)
— if RMB strengthen against US\$	(203)	(1,660)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (note 28) and time deposits (note 23).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 24). It is the Group's policy to keep its borrowing at fixed rate of interests so as to minimise the cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

##### Sensitivity analysis

As at 31 December 2025, it is estimated that a general increase or decrease of 1% (2024: 1%) in interest rates, with all other variables held constant, would increase (2024: increase) or decrease (2024: decrease) the Group's post-tax profit for the year ended 31 December 2025 by approximately RMB1,029,000 (2024: RMB550,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for bank balances in existence at the end of the reporting period. The 1% (2024: 1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Credit risk

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated financial statements.

The credit risk of the Group mainly arises from bank balances and cash, trade and bills receivables and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 99% (2024: 92%) of the total trade and bills receivables as at 31 December 2025.

The Group has concentration of credit risk as 3% (2024: 3%) of the total trade and bills receivables was due from the Group's largest customer as at 31 December 2025. 13% (2024: 13%) of the total trade and bills receivables was due from the Group's five largest customers as at 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Credit risk (Continued)

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

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2025		
				Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	(i)	Lifetime ECLs (not credit impaired) and simplified approach	346,408	(773)	345,635
Financial assets included in other receivables	21	Performing	12-month ECL	3,203	—	3,203
Amount due from a related company	22	Performing	12-month ECL	1,050	—	1,050
Time deposit	23	Performing	12-month ECL	20,159	—	20,159
Bank balances and cash	24	Performing	12-month ECL	137,256	—	137,256

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Credit risk (Continued)

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2024		
				Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	(i)	Lifetime ECLs (not credit impaired) and simplified approach	293,117	(997)	292,120
Financial assets included in other receivables	21	Performing	12-month ECL	65,151	—	65,151
Amount due from a related company	22	Performing	12-month ECL	16,319	—	16,319
Time deposit	23	Performing	12-month ECL	19,465	—	19,465
Bank balances and cash	24	Performing	12-month ECL	65,021	—	65,021

Note (i) For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECLs on these items by using a provision matrix, estimated based on historical credit loss experience based on the invoice date aging status of the debtors collectively, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 20 include further details on the loss allowance for these assets respectively.

The credit quality of these financial assets was considered to be “performing” as they are not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

##### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 36. Financial Instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

	Less than 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At 31 December 2025</b>					
Trade and bills payables	248,480	—	—	248,480	248,480
Accruals and other payables	107,183	—	—	107,183	107,183
Borrowings	277,329	173,461	12,391	463,181	437,455
	632,992	173,461	12,391	818,844	793,118
Lease liabilities	4,083	4,000	—	8,083	7,963
<b>At 31 December 2024</b>					
Trade and bills payables	189,756	—	—	189,756	189,756
Accruals and other payables	49,032	—	—	49,032	49,032
Borrowings	247,353	72,938	—	320,291	307,478
	486,141	72,938	—	559,079	546,266
Lease liabilities	3,330	87	—	3,417	3,392

#### (c) Fair values of financial instruments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 37. Acquisition of a Subsidiary

On 25 July 2025, the Group acquired 100% of the issued share capital of Brilliant Textile Pte. Ltd. (“**BTPL**”) for consideration of US\$8,900,000 (equivalent to approximately RMB63,800,000). The principal activity of BTPL is investment holding. The identifiable assets of BTPL and its subsidiary are mainly property, plant and equipment and right-of-use assets. The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (right-of-use assets). The assets acquired and liabilities assumed at the date of acquisition of subsidiary comprise the following:

	RMB'000
Property, plant and equipment	1,715
Right-of-use assets	89,238
Prepayments, deposits and other receivables	28,138
Cash and cash equivalents	8,194
Other payables and accruals	(39,785)
Net assets	87,500
Non-controlling interests	(23,700)
Consideration	63,800
Satisfied by:	
Cash consideration paid	8,110
Deposit paid	55,690
	63,800
Net cash inflow on acquisition of BTPL	RMB'000
Cash consideration paid	8,110
Less: cash and cash equivalent balances acquired	(8,194)
	(84)

Note: Deposit amounted to approximately RMB55,690,000 was paid by the Group during the year ended 31 December 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 38. Related Party Transactions

- (a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following balances with related party during the years ended 31 December 2025 and 2024:

	Notes	2025 RMB'000	2024 RMB'000
<b>Amount due from a related party</b>			
Dongxia	(i) & (ii)	1,050	16,319
<b>Maximum amount outstanding during the year</b>			
Dongxia		16,319	16,319
<b>Rental expenses paid to a related party</b>			
Dongxia		3,200	3,200

Notes:

- (i) The balances are unsecured, interest free, repayable on demand and non-trade in nature.
- (ii) Dongxia is a related company incorporated in the PRC and is beneficially owned by Mr. Xue Shidong, the director of the Company.

### (b) Compensation of key management personnel

The emoluments of the directors of the Company and other members of key management during the years ended 31 December 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Short-term benefits	7,248	5,725
Post-employment benefits	289	174
	<b>7,537</b>	<b>5,899</b>

The emoluments of key management personnel is determined by the remuneration committee having regard to the performance of the individuals and market trends.

### (c) Right-of-use assets

Certain right-of-use assets are leased from a related company, Dongxia. For the year ended 31 December 2025, the amount of rent payable by the Group under the lease is RMB8,000,000 (2024: RMB3,200,000). Details of right-of-use assets during the years ended 31 December 2025 and 2024 are set out in note 16.

As at 31 December 2025, the carrying amount of the related lease liabilities was RMB7,882,000 (2024: RMB3,184,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 38. Related Party Transactions (Continued)

#### (d) Guarantee

As at 31 December 2025, certain of the Group's banking facilities were granted from pledged assets of approximately RMB3,583,000 (2024: RMB3,583,000) or guarantees given by the related party. Details of the banking facilities and bank borrowings granted under such facilities are set out in note 28.

### 39. Reconciliation of Liabilities Arising from Financing Activities

	Dividend payable	Lease liabilities	Borrowings	Interest payable	Amount due to related a company	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 26)	(Note 16)	(Note 28)	(Note 26)	(Note 38)	
<b>As at 1 January 2025</b>	<b>29,630</b>	<b>3,392</b>	<b>307,478</b>	<b>401</b>	<b>—</b>	<b>340,901</b>
Cash flows in	—	—	462,644	—	—	462,644
Cash flows out	—	(3,495)	(330,918)	(14,157)	—	(348,570)
Finance costs incurred (note 8)	—	190	—	13,851	—	14,041
Non-cash movement	—	—	—	—	—	—
Exchange difference	—	(6)	(1,749)	—	—	(1,755)
Addition	—	7,882	—	—	—	7,882
<b>As at 31 December 2025</b>	<b>29,630</b>	<b>7,963</b>	<b>437,455</b>	<b>95</b>	<b>—</b>	<b>475,143</b>
<b>As at 1 January 2024</b>	24,605	1,023	313,365	1,200	241	340,434
Cash flows in	—	—	307,478	—	—	307,478
Cash flows out	(11,599)	(4,276)	(313,365)	(12,449)	(241)	(341,930)
Finance costs incurred (note 8)	—	182	—	11,650	—	11,832
Dividend declared (note 13)	16,624	—	—	—	—	16,624
Non-cash movement	—	—	—	—	—	—
Exchange difference	—	7	—	—	—	7
Addition	—	6,456	—	—	—	6,456
<b>As at 31 December 2024</b>	<b>29,630</b>	<b>3,392</b>	<b>307,478</b>	<b>401</b>	<b>—</b>	<b>340,901</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 40. Particulars of Subsidiaries

As at 31 December 2025 and 2024 and at the date of the report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation/ establishment	Place of operation and establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company		Principal activity
				2025	2024	
<b>Directly held</b>						
Qun Bong <sup>1</sup>	11 November 2013	The BVI	US\$1	100%	100%	Investment holding
BPTL <sup>2</sup> (Note a)	6 May 2024	Singapore	SGD3,000,000	100%	—	Investment holding
<b>Indirectly held</b>						
Ya Dong (Hong Kong) International Trading Company Limited ("Yadong (Hong Kong)") <sup>3</sup>	27 June 2011	Hong Kong	HK\$20,000,000	100%	100%	Investment holdings and trading of corduroy fabrics and plain weave fabrics
Yadong (Changzhou) <sup>4</sup>	27 March 2014	The PRC	US\$10,000,000	100%	100%	Investment holdings and dyeing, processing and trading of corduroy fabrics and plain weave fabrics
Lion Union (Changzhou) Textile Dyeing Company Limited <sup>4</sup>	30 April 2000	The PRC	RMB80,000,000	100%	100%	Dormant
Changzhou Dongliang Yunfang Information Technology Co., Ltd. <sup>4</sup>	30 April 2022	The PRC	RMB1,000,000	100%	100%	Inactive
Amazing Ecotech Textile Company Limited <sup>5</sup> ("Amazing Ecotech") (Note a)	17 March 2025	Vietnam	US\$8,000,000	75%	—	Production and sale of corduroy and plain fabric

\* The English name is for identification only

<sup>1</sup> Company with limited liability incorporated in the BVI.

<sup>2</sup> Company with limited liability incorporated in Singapore.

<sup>3</sup> Company with limited liability incorporated in Hong Kong.

<sup>4</sup> Company with limited liability established in the PRC.

<sup>5</sup> Company with limited liability incorporated in Vietnam.

Notes:

(a) Subsidiary acquired during the year ended 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 40. Particulars of Subsidiaries (Continued)

Details of a subsidiary that has non-controlling interests that are material to the Group:

	Place of incorporation/ establishment/ operation	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Loss attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2025	2024	2025	2024	2025	2024	2025	2024
		Amazing Ecotech	Vietnam	25%	—	25%	—	(530)	—

The summarised financial information in respect of the Group's subsidiary that has non-controlling interests that are material to the Group, before intragroup eliminations:

	2025 RMB'000
Current assets	34,929
Non-current assets	261,691
Current liabilities	(54,191)
Non-current liabilities	(107,758)
Equity attributable to owners of the Company	101,003
Non-controlling interests	33,668

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 40. Particulars of Subsidiaries (Continued)

The summarised financial information in respect of the Group's subsidiary that has non-controlling interests that are material to the Group, before intragroup eliminations: (Continued)

	<b>Period from 26 July 2025 to 31 December 2025</b>
	RMB'000
Other income	180
Expenses	(2,299)
Loss for the period	(2,119)
Loss for the period attributable to:	
— Owners of the Company	(1,589)
— Non-controlling interests	(530)
	(2,119)
Other comprehensive expense attributable to:	
— Owners of the Company	(2,283)
— Non-controlling interests	(760)
	(3,043)
Total comprehensive expense attributable to:	
— Owners of the Company	(3,872)
— Non-controlling interests	(1,290)
	(5,162)
Net cash outflows from operating activities	(1,615)
Net cash outflows from investing activities	(118,434)
Net cash inflows from financing activities	152,783
Net cash inflows	32,734

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 41. Operating Lease Arrangement

#### The Group as lessor

The group leases out investment property under operating leases. The leases typically run for an initial period of 3 to 20 years (2024: 4 to 5 years). Lease payments are fixed every year. None of the leases includes variable lease payments.

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

	2025 RMB'000	2024 RMB'000
Within 1 year	2,544	2,386
After 1 year but within 2 years	866	2,038
After 2 years but within 3 years	419	596
After 3 years but within 4 years	270	105
After 4 years but within 5 years	270	—
After 5 years	4,793	—
	<b>9,162</b>	5,125

### 42. Capital Commitments

	2025 RMB'000	2024 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the consolidated financial statements	<b>62,851</b>	15,800

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 43. Information About the Statement of Financial Position of the Company

	Notes	2025 RMB'000	2024 RMB'000
<b>Non-current asset</b>			
Investment in a subsidiary		200,471	92,064
<b>Current Assets</b>			
Dividend receivable	(a)	63,029	65,591
Prepayments		56	—
Amount due from a subsidiary	(b)	—	2,132
Time deposits		18,575	19,465
Bank balances and cash		664	698
		82,324	87,886
<b>Current Liabilities</b>			
Accruals and other payables		1,986	1,853
Dividend payable		29,630	29,630
Amounts due to subsidiaries	(b)	118,571	11,545
		150,187	43,028
Net current (liabilities) assets		(67,863)	44,858
<b>Net assets</b>		<b>132,608</b>	136,922
<b>Capital and Reserves</b>			
Share capital		5,035	5,035
Reserves	(c)	127,573	131,887
<b>Total Equity</b>		<b>132,608</b>	136,922

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 43. Information About the Statement of Financial Position of the Company (Continued)

- (a) As at 31 December 2025 and 2024, dividend receivable was from Qun Bong.
- (b) Amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.
- (c) **Movements in the Company's reserves**

	<b>Capital reserve</b> RMB'000 (Note i)	<b>Share premium</b> RMB'000	<b>Retained profits</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2024	87,752	41,670	20,332	149,754
Loss and total comprehensive expense for the year	—	—	(1,243)	(1,243)
Dividends paid	—	(16,624)	—	(16,624)
At 31 December 2024 and 1 January 2025	87,752	25,046	19,089	131,887
Loss and total comprehensive expense for the year	—	—	(4,314)	(4,314)
At 31 December 2025	87,752	25,046	14,775	127,573

Note i: Capital reserve represents the difference between the nominal value of the shares issues for acquisition of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.