



HUI SHENG INTERNATIONAL HOLDINGS LIMITED

惠生國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1340





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Zhenghua

Ms. Xiang Yuan *(Appointed on 21 January 2025)*

Independent Non-executive Directors

Dr. Wang Guiping

Mr. Huang Ruilin

Mr. Chan Kwun Nam *(Resigned on 13 March 2025)*

Mr. Luo Mingsheng *(Appointed on 13 March 2025)*

COMPANY SECRETARY

Mr. Lau Chi Yuen

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhenghua

Mr. Lau Chi Yuen

AUDIT COMMITTEE

Mr. Luo Mingsheng *(Committee Chairman) (Appointed on 13 March 2025)*

Mr. Chan Kwun Nam *(Resigned on 13 March 2025)*

Dr. Wang Guiping

Mr. Huang Ruilin

REMUNERATION COMMITTEE

Mr. Luo Mingsheng *(Committee Chairman) (Appointed on 13 March 2025)*

Mr. Chan Kwun Nam *(Resigned on 13 March 2025)*

Dr. Wang Guiping

Mr. Huang Ruilin

NOMINATION COMMITTEE

Mr. Luo Mingsheng *(Committee Chairman)*
(Appointed on 13 March 2025)

Mr. Chan Kwun Nam *(Resigned on 13 March 2025)*

Dr. Wang Guiping

Mr. Huang Ruilin

Ms. Xiang Yuan *(Appointed as a member on 13 March 2025)*

INVESTMENT AND TREASURY COMMITTEE

Mr. Luo Mingsheng *(Committee Chairman)*
(Appointed on 13 March 2025)

Mr. Chan Kwun Nam *(Resigned on 13 March 2025)*

Dr. Wang Guiping

Mr. Zhang Zhenghua

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

WEBSITE OF THE COMPANY

www.hsihl.com

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 4

Hejiaping Housing Committee

Deshan Town Economic and

Technological Development Zone

Changde City, Hunan Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 803, 8/F
GR8 Inno Tech Centre
46 Tsun Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED PIE AUDITOR

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

1340

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is mainly engaged in the slaughtering of livestock and the trading of pork products, including the production and sale of fresh, chilled and frozen pork, pork by-products, and processed pork products (such as bacon and sausages), as well as hog breeding and hog farming in Changde, Hunan Province, the People's Republic of China (the "PRC"). In addition, the Group has also been engaged in the sale of pipeline system products and related technical consulting services in the past.

In 2025, the national hog industry presented an overall pattern of "high production capacity, volatile prices, weak demand, and increased concentration." According to public data from the National Bureau of Statistics of China, hog production capacity continued to expand in 2025, with national pork production recorded approximately 59.38 million tons, representing an increase of 4.1% compared with the same period last year. The pork production hit a record high. Hunan Province also experienced ample supply, the prices of hog and pork products fluctuated downwards throughout the year, which directly impacting the Group's pricing power for pork products and compressing profit margins. Meanwhile, the overall domestic pork consumption capacity in 2025 was weak, exhibiting a phenomenon of "peak season not being prosperous" and the breakdown of pig cycle. The downturn period has been significantly prolonged and no clear turning point was observed by the end of 2025. The extending of overall industry downturn required higher demands on the cost control and risk resistance capabilities of slaughtering and pork trading companies.

To mitigate losses from persistent price decline, and considering the relatively fixed costs of production and storage of frozen pork, the Group increased the trading of frozen pork products when fresh pork price was low. The effective measures in cost control and strict quality control helped the Group regulate the pace in hog procurement and trading of pork products. Synergized with the capacity release of joint venture slaughterhouse, the profitability structure of the Group was further optimized.

Furthermore, with the hog industry concentration rising rapidly in 2025 and small-to-medium-scale farmers accelerating their market exit, the Group – as a regional slaughtering and meat trading enterprise with a solid foundation – is well-positioned to leverage the scale advantages of its joint-venture slaughterhouses to capture greater market share amidst industry consolidation.

The pipe system business remained under significant pressure in 2025 due to a combination of economic downturns and environmental challenges. Activity in this sector halted completely this year, resulting in zero revenue. A key factor remains the historical depreciation of the Yen, which has made imports from Germany prohibitively expensive when settled in USD. These rising costs have forced a standstill on local projects and disrupted trade flows. To mitigate further financial risk, we have taken a cautious stance and officially suspended this business unit's operations during the reporting period.

FINANCIAL REVIEW

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB209.6 million, representing an increase of approximately 373% or RMB165.3 million as compared with approximately RMB44.3 million in 2024, while the gross profit for the year was approximately RMB2.6 million as compared to a gross profit of approximately RMB0.5 million in 2024. For slaughtering and trading of pork products business, the revenue was increased by approximately RMB165.3 million or 373% to approximately RMB209.6 million in 2025. The revenue from pipe system products business was nil (2024: nil).

The selling and distribution expenses of the Group for the year ended 31 December 2025 increased from approximately RMB46,000 to approximately RMB240,000.

The administrative expenses of the Group was decreased by approximately RMB4.8 million or 38.4% to approximately 7.7 million in 2025.

The finance cost of the Group was Nil (2024: RMB5,000).

The loss attributable to owners of the Company in 2025 was approximately RMB15.6 million, while it was a loss of approximately RMB24.5 million in 2024. The reduction of loss was mainly due to (i) a decrease in write-off of property, plant and equipment of approximately RMB18.0 million; (ii) an increase in allowance for expected credit losses, net of approximately RMB12.1 million and (iii) a decrease in administrative expenses of approximately RMB4.8 million.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group maintained cash and bank balances as at 31 December 2025 amounting to approximately RMB24.6 million (2024: approximately RMB397.8 million). The Group's current ratio as at 31 December 2025 was 5.5 (2024: 5.7). The total equity of the Group amounted to approximately RMB378.8 million as at 31 December 2025 (2024: approximately RMB393.7 million).

As at 31 December 2025, the Group had no outstanding borrowings (2024: nil).

The Group intends to finance its operations and investment with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group is in a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Japanese Yen and Hong Kong dollars for the year ended 31 December 2025. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2025, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHARGE OF GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2025 (2024: nil).

GEARING RATIO

As at 31 December 2025, the Group's gearing ratio (being its total debts, which is the borrowings, divided by its total equity and multiplied by 100%) was nil (2024: nil).

FOREIGN EXCHANGE EXPOSURE

Since most of transactions of the Group were denominated in Renminbi, Japanese Yen and Hong Kong dollars, and the exchange rates of such currencies were relatively stable over the year under review, the directors of the Company believe that foreign exchange exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

As at 31 December 2025, the directors of the Company were not aware of any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not have any plans for material investments and capital assets.

SIGNIFICANT INVESTMENT

During the year, there was no other significant investment.

DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed 29 staff and workers in Hong Kong, Japan and the PRC (2024: 30), approximately 83% were male and 17% were female (excluding Directors). To ensure gender diversity at the employee level, the Company welcomes people of any gender and is committed to providing equal opportunities in recruitment, training and development, job promotion, compensation, and benefits to employees of all genders. The Group remunerates its directors based on the complexity of duties and responsibilities of each individual. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include contributions to social security, medical insurance and retirement schemes and provision of appropriate training program. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

CAPITAL STRUCTURE

As at 31 December 2025 and as at the date of this report, there are a total of 922,838,000 (2024: 922,838,000) issued ordinary shares of the Company of par value of HK\$0.01 each.

There was no change in the capital structure of the Company during the year ended 31 December 2025.

OUTLOOK AND FUTURE PROSPECTS

Squeezed by persistently low hog prices and high feed costs, the pressure of the industry keeps increasing. Faced with its inherent disadvantages including insufficient competitiveness and a relatively low market share, the Company proactively seeks transformation breakthroughs and explores business opportunities brought by industrial upgrading to forge progress amid industry adjustments.

Under the effective operation of the management, the Company achieved a substantial improvement of revenue in 2025 which further narrowed down loss for the year. Against the backdrop of a slower recovery in China's macro economy, the Group maintained steady improvement in operation quality, demonstrating remarkable outcomes in resource integration.

In a long run, industry reshuffle will continue to accelerate. The Group plans to adopt a differentiated development strategy to avoid head-on competition with leading enterprises in scale and cost advantages by focusing on niche market segments. It will enhance competitiveness in specialization and effectively ease pressures from full-industry-chain competition. Meanwhile, the Group will pursue win-win cooperation to mitigate transformation risks and market volatility caused by fluctuating hog prices. The Group will seize policy opportunities, optimize capital allocation and continuously adjust its business layout to further expand our market share and improve profitability in trading of pork products. This will lay a solid foundation for the Group's sustainable development and achieve a dual improvement in business scale and operational quality, stand firm amidst industry reshuffle and realize sustainable corporate development.

EVENTS AFTER THE YEAR END DATE

Save as disclosed in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2025 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Zhenghua (章正華), aged 61, was appointed as an executive Director on 27 September 2024. He was also appointed as one of the authorised representative of the Company and a member of the Investment and Treasury Committee on 27 September 2024.

Mr. Zhang joined the Group since 2007. He worked in the production department of Hunan Huisheng Meat Products Company Limited* (南惠生肉業有限公司) (“**Hunan Huisheng**”) since October 2007. From June 2018 to May 2019, Mr. Zhang served as the director of Hunan Huisheng. Mr. Zhang left the Group on May 2019. On December 2022, Mr. Zhang returned to the Group and be re-appointed as the director, manager and authorised representative of Changde Xihu District Huisheng Meat Company Limited* (常德市西湖區惠生肉食有限公司). Mr. Zhang is also the director, manager and authorised representative of Changde City Dingcheng District Huisheng Meat Products Company Limited* (常德市鼎城區惠生肉業有限公司), Linli Huisheng Meat Products Company Limited* (臨澧惠生肉業有限公司), Linli Huisheng Ecological Hog Breeding Company Limited* (臨澧惠生生態豬養殖有限公司) and Taoyuan County Huisheng Meat Products Company Limited* (桃源縣惠生肉業有限公司) since December 2023 up to now. These companies are all subsidiaries of our Group. Mr. Zhang graduated from high school. Mr. Zhang has over 15 years of experience in the industry of slaughtering and trading of pork products.

Ms. Xiang Yuan (向元), aged 54, was appointed as an executive Director on 21 January 2025. She was also appointed as a member of the Nomination Committee on 13 March 2025.

Ms. Xiang joined the Group since December 2007. She worked in the production department and marketing department over the years and served as the person in charge in the departments. Ms. Xiang has been appointed as the director of Hunan Huisheng, which is a subsidiary of the Group, since December 2024. Ms. Xiang graduated from middle school. She has over 15 years of experience in the industry of slaughtering and trading of pork products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wang Guiping (王貴平), aged 53, was appointed as an independent non-executive Director on 29 October 2020, and became a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment and Treasury Committee of the Company on 30 June 2022. He is an expert in animal microbiology and immunology. He is currently a deputy professor and tutor of master of Hunan Agricultural University* (湖南農業大學). Dr. Wang has been involved in various research projects and has published numbers of articles. Dr. Wang obtained his doctorate degree in clinical veterinary science from Hunan Agricultural University* (湖南農業大學) in 2014.

Mr. Huang, Ruilin (黃瑞林), aged 62, was appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee on 18 August 2022. He is currently a postgraduate tutor and researcher. In 1985, he graduated from the Department of School of Animal Science and Technology, School of Animal Medicine of the Huazhong Agricultural University (華中農業大學) with a bachelor’s degree in agronomy. After graduation, he engaged in research on animal nutrition and physiology at the Institute of Subtropical Agriculture, the Chinese Academy of Sciences (中國科學院亞熱帶農業生態研究所). And he is also the deputy director of the Animal Nutrition and Environment Society (湖南省動物營養與環境學會) in Hunan Province of China. Since 2005, he has been an expert in the evaluation of national science and technology awards.

* For identification purpose only.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Huang has participated in and presided over a number of national key Research & Development (“R&D”) projects, national key scientific and technological projects, international cooperation, the National Natural Science Foundation of China, and key projects of the Chinese Academy of Sciences.

He is currently undertaking China’s 14th national key R&D project “Dynamic Nutrition Demand and Precision Nutrition Supply Technology of Pigs and Poultry”, and serves as the chief scientist of the project in China. He has won the National Science and Technology Progress Award, the Ministry of Agriculture Science and Technology Progress Award, the Agricultural Science and Technology Award (Harvest Award), the Chinese Academy of Sciences Science and Technology Progress Award and many other awards.

Mr. Luo Mingsheng (羅明生), aged 60, was appointed as an independent non-executive Director with effect from 13 March 2025. He was also appointed as the chairman of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment and Treasury Committee with effect from 13 March 2025.

Mr. Luo obtained his Bachelor’s Degree in Accounting from Hunan University of Finance and Economics. Mr. Luo is a member of The Chinese Institute of Certified Public Accountants and a member of The China Certified Tax Agents Association. He also obtained a qualification certificate for independent directors from China.

Mr. Luo possesses ample professional experiences in auditing and corporate finance. He is currently the independent director, chairman of the audit committee and a member of the nomination committee of Vcanbio Cell & Gene Engineering Corp., Ltd. (Stock Code: 600645) since 16 May 2023, the stock of which is listed on The Shanghai Stock Exchange. He is the executive director, legal representative and president of both Hunan Jinji Display Art Co., Ltd.* (湖南金基陳設藝術有限公司) and Hunan Jianzhi Cultural Development Co., Ltd.* (湖南簡之文化發展有限公司). He is also the vice president of Daxin Management Consulting (Beijing) Co., Ltd. * (大信管理諮詢(北京)有限公司).

Mr. Luo was the independent director of Hunan Copote Science & Technology Co., Ltd. (Stock Code: 600476) from 28 May 2010 to 27 March 2016, the stock of which is listed on The Shanghai Stock Exchange. He also served as senior partner of Huayin Certified Public Accountants Co., Ltd., director of Chuangzhi Heyu Information Technology Co., Ltd.* (創智和宇信息技術股份有限公司) and general manager of Hunan Chuangzhi Heyu Information System Co., Ltd.* (湖南創智和宇企業管理有限公司).

COMPANY SECRETARY

Mr. Lau Chi Yuen (劉智遠), Mr. Lau, aged 50, was appointed as the company secretary and the authorised representative of the Company on 31 May 2019. Mr. Lau does not act as an employee of the Group, but as an external service provider. Mr. Lau had served as company secretary in companies listed in Hong Kong. Mr. Lau has extensive experience in company secretarial services, corporate finance, merger and acquisition, investor relationship and corporate governance aspects. Mr. Lau obtained a Master of Professional Accounting degree from the Southern Cross University in September 2004. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants since July 2008 and a member of Hong Kong Institute of Certified Public Accountants since January 2021.

During the year ended 31 December 2025, Mr. Lau has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

* For identification purpose only.



REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in breeding and slaughtering of hogs and sale of pork products in the PRC, selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation. The principal activities and other particulars of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

The Group's revenue for the year is principally attributable to the sale of pork products to customers, selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in this annual report and note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Further discussion and analysis of the Company's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 4 to 7. Such discussion forms part of this "Report of the Directors".

CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTABLE RESERVES

The loss of the Group for the year ended 31 December 2025 and the state of affairs of the Group and the Company as at that date are set out in the consolidated financial statements on pages 41, 43 and 130 respectively.

Details of the distributable reserves of the Group and the Company for the year ended 31 December 2025 are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements respectively. As at 31 December 2025, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMBnil (2024: nil).

DIVIDEND

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

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

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the “Articles of Association”) although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares.

RETIREMENT SCHEMES

The Group maintains a mandatory provident fund (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employees’ contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiaries operating in the PRC and Japan are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

BORROWINGS

None of borrowings of the Group as at 31 December 2025 (2024: nil).

REPORT OF THE DIRECTORS (CONTINUED)

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the financial year are as follows:

	Percentage of the Group's total	
	revenue	purchases
The largest customer	8%	N/A
The five largest customers in aggregate	33%	N/A
The largest supplier	N/A	7%
The five largest suppliers in aggregate	N/A	33%

So far as the Board is aware, neither the Directors, their close associates nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

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FIVE YEARS FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 135 and 136 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. We have installed waste treatment facilities at our breeding farms and production base. We have adopted internal control procedures in relation to waste treatment at our breeding farms and production base, such as the processing of hog faeces into fertilisers and the biological treatment of sewage.

For more details, please refer to the separate Environmental, Social and Governance Report for the year ended 31 December 2025 which will be available on the Company's website under the "Investors Relations – Financial Statements & ESG" section and the website of the Stock Exchange at the same time as the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, except for the following, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

As disclosed in the announcements dated 27 September 2024, 10 January 2025 and 21 January 2025, following the resignation of Ms. Qin Yuanling as an executive Director on 27 September 2024, the Company has a single gender board which does not meet the requirement under Rule 13.92 of the Listing Rules. Following the appointment of Ms. Xiang Yuan as an executive Director on 21 January 2025, the Company re-complies with the requirement regarding gender diversity of the Board under Rule 13.92 of the Listing Rules.

Pursuant to Rule 3.09D of the Listing Rules, every director of a listed issuer must obtain legal advice from a firm of solicitors qualified to advise on Hong Kong law before his appointment becomes effective. The Company noted that Mr. Zhang Zhenghua, Ms. Xiang Yuan and Mr. Luo Mingsheng obtained the legal advice after their appointments, which did not fully comply with the requirement under Note 2 to Rule 3.09D of the Listing Rules. The Company has arranged for the three Directors to obtain such legal advice on 18 March 2025, and each of them has confirmed that he/she understood his/her obligations as a Director. The Company has strengthened its internal procedures to ensure that all future directors will obtain the required legal advice prior to appointment.

Save as disclosed above, during the year ended 31 December 2025, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be a responsible employer for committed employees. The Group strives to motivate its employees with a clear career path and provide opportunities for advancement and improvement of their skills.

(ii) Suppliers

The Group has developed long-standing relationships with a number of suppliers and has taken great care to ensure that they share its commitment as to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

(iii) Customers

The Group is committed to offer quality products to its customers and keep them informed of its latest business developments.

During the year ended 31 December 2025, there was no significant dispute between the Group and its employees, suppliers and customers.

DIRECTORS

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

Executive Directors

Mr. Zhang Zhenghua

Ms. Xiang Yuan (*Appointed on 21 January 2025*)

Independent non-executive Directors

Dr. Wang Guiping

Mr. Huang Ruilin

Mr. Chan Kwun Nam (*Resigned on 13 March 2025*)

Mr. Luo Mingsheng (*Appointed on 13 March 2025*)

According to Article 84 of 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 a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years.



REPORT OF THE DIRECTORS (CONTINUED)

Thus, in accordance with Article 84 of the Articles of Association, Mr. Zhang Zhenghua and Mr. Huang Ruilin will retire at the AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive Director has entered into a service contract with the Company. The initial term of the executive Director under her respective service contract is three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of serving such notice. The aggregate amount of discretionary management bonuses payable to the executive Director in respect of any financial year shall be subject to the approval by the Company's shareholders (the "Shareholders") in general meeting and shall not exceed five percent of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of the same financial year.

Each of Dr. Wang Guiping, Mr. Huang Ruilin and Mr. Luo Mingsheng has been appointed pursuant to a letter of appointment for an initial term of three years, subject to renewal as confirmed by the Company until terminated in accordance with the provisions of the employment contract and/or the provisions of the Articles of Association from time to time, the Listing Rules and the Companies Act (As Revised).

Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as an independent non-executive Director.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director a written confirmation of independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments on a named basis are set out in note 12 to the consolidated financial statements.

REMUNERATION OF SENIOR MANAGEMENT

The number of senior management whose remuneration fell within the following band is as follows:

	2025	2024
Nil to HK\$1,000,000	1	–

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 11 February 2014 (the “2014 Share Option Scheme”) was terminated with effect from 30 June 2023 and no more share options may be granted under the 2014 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 30 June 2023 (the “2023 Share Option Scheme”) reflecting the latest changes and requirements under Chapter 17 of the Listing Rules.

The total number of securities available for issue under the 2023 Share Option Scheme as at 31 December 2025 was 88,083,800 shares (31 December 2024: 88,083,800 shares) which represented approximately 9.5% (31 December 2024: approximately 9.5%) of the issued share capital of the Company.

The 2023 Share Option Scheme provides the grantees with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (1) to attract and retain the best quality personnel for the development of the Group’s businesses;
- (2) to provide additional incentives or rewards to selected eligible participants for their contribution to the creation of the Company’s value; and
- (3) to promote the long-term financial success of the Group by aligning the interest of grantees to those of the shareholders.

A summary of the principal terms of rules of the 2023 Share Option Scheme is set out in the circular of the Company dated 30 May 2023.



REPORT OF THE DIRECTORS (CONTINUED)

There was no share option outstanding as at 31 December 2025. During the year ended 31 December 2025, no share option was granted (31 December 2024: Nil), lapsed (31 December 2024: 88,080,000) or cancelled (31 December 2024: Nil).

The details of share option scheme are set out in note 29 to the consolidated financial statements.

Save for the share option scheme as disclosed above, at no time during the year ended 31 December 2025 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2025, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 December 2025, no person (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the service contracts and letters of appointment entered into with the respective Directors, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director was or had been materially interested, whether directly or indirectly, subsisted at the end of the year or any time during the year.

COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or any of his/her respective close associates (as defined in the Listing Rules) were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 December 2025.

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

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

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2025 are disclosed in note 34 to the consolidated financial statements. Save as disclosed in this annual report, there were no other connected transactions or non-exempted continuing connected transactions to be disclosed under the Listing Rules.

EVENTS AFTER THE YEAR END DATE

Details of the events after the year end date are set out on page 7 of the "Management Discussion and Analysis" of this annual report.

AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board

Zhang Zhenghua
Executive Director

Hong Kong, 31 March 2026

CORPORATE GOVERNANCE REPORT

The Company has adopted all the code provisions (the “Code Provision(s)”) stated in the Corporate Governance Code (“CG Code”) as set out in Appendix C1 to the Listing Rules as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve the Company’s standards of corporate governance practices.

The Company had complied with the Code Provisions during the year ended 31 December 2025.

THE BOARD OF DIRECTORS

The Board is responsible for managing the Company on behalf of the Shareholders. The Board is of the view that it is the Directors’ responsibilities to create value for Shareholders and safeguard the best interests of the Company and the Shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board currently comprises five Directors, including two executive Directors, named Mr. Zhang Zhenghua and Ms. Xiang Yuan and three independent non-executive Directors, Mr. Huang Ruilin, Dr. Wang Guiping and Mr. Luo Mingsheng in compliance with the requirement of the Listing Rules which states that every board of directors of an issuer must include at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The list of Directors during the year and up to the date of this annual report is set out on page 13 and the biographical details of the Directors and relevant relationships among them (if any) are set out on pages 8 to 9 of this annual report. Save as disclosed therein, there is no financial, business, family or other material or relevant relationship among the Directors.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;
- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and
- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

During their terms of office, the Directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the Articles of Association and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decision-making function of the Board in its full swing.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, the Company does not have the role of chairman and chief executive officer. The chief executive officer's duties have then been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board. The Company will use its best endeavour in finding a suitable candidate to assume the duties as Chairman when appropriate.

NON-EXECUTIVE DIRECTORS

The Board considers the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Shareholders.

The terms of appointment of each of the independent non-executive Directors are set out on page 14 of this annual report. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of the independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, six Board meetings and one general meeting were held and the attendance records of the Directors are set out below:

	Attendance/ Number of general meeting	Attendance/ Number of board meetings
Executive Directors		
Mr. Zhang Zhenghua	1/1	6/6
Ms. Xiang Yuan (<i>Appointed on 21 January 2025</i>)	1/1	5/5
Independent non-executive Directors		
Dr. Wang Guiping	1/1	6/6
Mr. Huang Ruilin	1/1	6/6
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	N/A	1/1
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	1/1	4/4

EXPERIENCE

Executive and non-executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Chan Kwun Nam and Mr. Luo Mingsheng. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction of the Group's operations.

BOARD DIVERSITY POLICY

Pursuant to the code provision B.1.3 of the CG Code, listed issuers are regulated to adopt a board diversity policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The summary of the board diversity policy (the "Board Diversity Policy"), together with the measurable objectives set for implementing the Board Diversity Policy, and the progress for achieving those objectives are disclosed as below:

Summary of the Board Diversity Policy

With the aim of enhancing Board effectiveness and corporate governance as well as achieving our business objectives, in designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

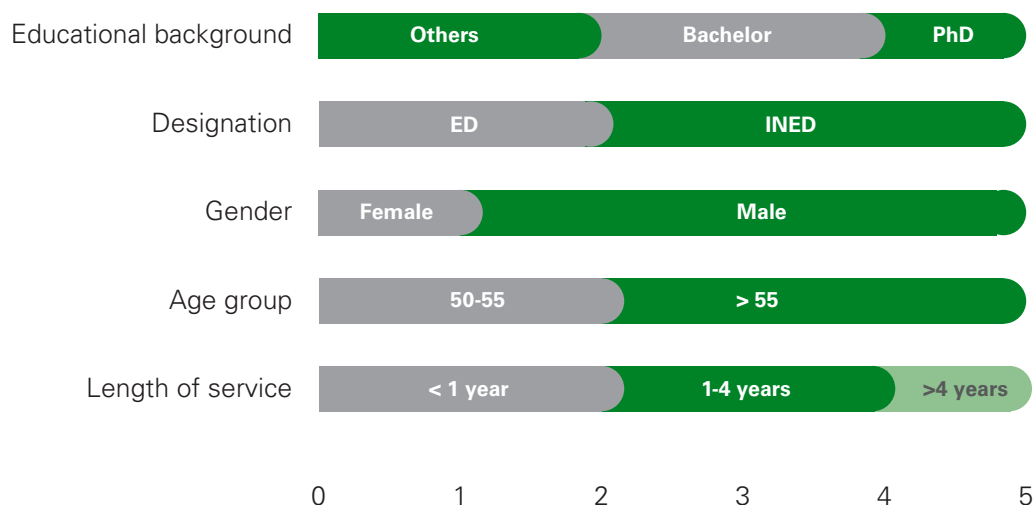
Measurable objectives

Selection of candidates of the Board members will be 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 and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board.

Implementation and Monitoring

The Nomination Committee is responsible for monitoring the progress of the measurable objectives set out in the Board Diversity Policy, and reviewed the Board's composition at least once annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness.

As at the date of this annual report, the Board's composition under diversified perspectives was summarised as follows:



MODEL CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code during the year ended 31 December 2025.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2025.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 11 February 2014 with written terms of reference (updated and revised on 19 January 2023) in compliance with Rule 3.25 of the Listing Rules and Code Provision E.1.2 of the CG Code, which is available on the websites of the Stock Exchange and the Company. The duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee currently consists of Dr. Wang Guiping, Mr. Huang Ruilin and Mr. Luo Mingsheng. Mr. Luo Mingsheng is the chairman of the Remuneration Committee.

WORK SUMMARY OF REMUNERATION COMMITTEE

In 2025, the Remuneration Committee held three meetings to review the remuneration policy and packages for all Directors and senior management. Details of attendance of members at meeting of the Remuneration Committee held during the year ended 31 December 2025 are set out as follows:

	Attendance/ Number of meetings
Dr. Wang Guiping	3/3
Mr. Huang Ruilin	3/3
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	1/1
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose;
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules (come into effect from 1 January 2023).

NOMINATION COMMITTEE

The Company established a Nomination Committee on 11 February 2014 with written terms of reference (updated and revised on 30 June 2025) in compliance with Rule 3.27A of the Listing Rules and Code Provision B.3 of the CG Code, which is available on the websites of the Stock Exchange and the Company. The duties of the Nomination Committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) reviewing the effectiveness of the Board Diversity Policy; (e) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive; and (f) reviewing the Nomination Policy and Board Diversity Policy to the Board. The Nomination Committee has specific written terms of reference which are of no less exacting terms than those stipulated in CG Code. The Nomination Committee currently consists of Dr. Wang Guiping, Mr. Huang Ruilin, Mr. Luo Mingsheng and Ms. Xiang Yuan. Mr. Luo Mingsheng is the chairman of the Nomination Committee.

WORK SUMMARY OF NOMINATION COMMITTEE

In 2025, the Nomination Committee held three meetings and reviewed and noted, inter-alia, re-election of retiring Directors; the size, composition and structure of the Board; the diversity of the Board; results of annual assessment on effectiveness of the Board and for each of the independent non-executive Directors for the year 2023; assessment of independence of the independent non-executive Directors. In addition, it also reviewed and recommended to the Board for approval/noting: (i) the Board Diversity Policy; and (ii) the Nomination policy. Details of attendance of members at meeting of the Nomination Committee held during the year ended 31 December 2025 are set out as follows:

	Attendance/ Number of meetings
Mr. Huang Ruilin	3/3
Dr. Wang Guiping	3/3
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	1/1
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	1/1
Ms. Xiang Yuan (<i>Appointed as a member on 13 March 2025</i>)	1/1

NOMINATION POLICY

Objectives

The nomination policy of the Company (the "Nomination Policy") sets out the procedures process and criteria for identifying and recommending candidates for election to the Board of Directors.

The Nomination Policy as adopted by the Company on 31 December 2018, aims to ensure the Board of Directors are equipped with the appropriate balance of skills, experience and knowledge and diversity of perspectives appropriate with the Company's business and future development.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Selection Criteria

The factors which are not exhaustive and decisive, listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- a. Reputation for integrity.
- b. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- c. Commitment in respect of sufficient time and relevant interest.
- d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
- e. Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

Review of the Nomination Policy

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 11 February 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision D.3 of the CG code, which is available on the websites of the Stock Exchange and the Company. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgements contained therein; and (c) reviewing the Group's financial controls, risk management and internal control systems. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code. The Audit Committee currently consists of Dr. Wang Guiping, Mr. Huang Ruilin and Mr. Luo Mingsheng. Mr. Luo Mingsheng is currently the chairman of the Audit Committee.

WORK SUMMARY OF AUDIT COMMITTEE

The Audit Committee held three meetings during the year ended 31 December 2025 and had performed the following work:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2024;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2025;
- reviewed the external auditors' statutory audit plan, audit scope and engagement letters;
- reviewed and recommended for approval by the Board the 2025 interim and annual audit plan, scope and fees;
- reviewed the adequacy and effectiveness of risk management and internal control system and processes of the Group for the year ended 31 December 2024; and
- reviewed the revisions to the terms of reference of the Audit Committee.

The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the financial statements to the Board for approval. There was no disagreement between management and the external auditors with regard to the interim and annual financial statements.

Details of attendance of members at meetings of the Audit Committee held during the year ended 31 December 2025 are set out as follows:

	Attendance/ Number of meetings
Dr. Wang Guiping	3/3
Mr. Huang Ruilin	3/3
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	1/1
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	2/2

INVESTMENT AND TREASURY COMMITTEE

The Company established an Investment and Treasury Committee on 21 May 2019 (the “Investment and Treasury Committee”) with written terms of reference, which is available on the websites of the Stock Exchange and the Company. The duties of the Investment and Treasury Committee include, without limitation, (a) review the accounts of the Company from time to time; (b) monitor and regulate investment decisions, strategies, investment plan and treasury activities of the Company; (c) consider and recommend to the Board any types of fund raising instruments and to take any steps appropriate and necessary in relation to the investment or treasury activities of the Company; (d) review the potential costs and returns of investments projects of the Company from time to time; (e) review the terms of reference and its effectiveness in the perform of its duties annually and to make recommendation to the Board any changes it considers necessary.

The Investment and Treasury Committee currently consists of Mr. Zhang Zhenghua, Dr. Wang Guiping and Mr. Luo Mingsheng. Mr. Luo Mingsheng, is the chairman of the Investment and Treasury Committee.

WORK SUMMARY OF INVESTMENT AND TREASURY COMMITTEE

In 2025, the Investment and Treasury Committee held two meetings to review the accounts, investments plans 30 of the Company. It also reviewed and recommended to the Board to take the appropriate steps in relation to the investment and other related treasury activities of the Company. Details of attendance of members at the meeting of the Investment and Treasury Committee held during the year ended 31 December 2025 are set out as follows:

	Attendance/ Number of meetings
Dr. Wang Guiping	2/2
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	N/A
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	2/2
Mr. Zhang Zhenghua	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Company has an internal audit team which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board. The Board also ensures that the review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond the changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 31 December 2025, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review in the year ended 31 December 2025 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

- (1) A list of risks was created after the scope of risks was determined and risks were identified.
- (2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.
- (3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.
- (4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarised the risk management and internal control systems to realise the efficient operation and constant improvement of risk management.
- (5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.
- (6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant counter-measures.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors to prepare the accounts for each financial period. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business. Details of material uncertainties are set out in note 4 to the consolidated financial statements.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regular basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the Audit Committee.

During the year under review, the remuneration payable for audit services provided by the auditors is approximately RMB700,000.

INSIDE INFORMATION

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements inside information procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place as appropriate when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Company set out in Code Provision A.2 of the CG Code. Details of the corporate governance functions are as follows (including but not limited to):

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2025 included developing and reviewing the Company's policies on corporate governance and reviewing the Company's compliance with the Code Provisions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

CORPORATE GOVERNANCE REPORT (CONTINUED)

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Up to 31 December 2025, the Directors complied with the Code Provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Mode of participation	
	a	b
Executive Directors		
Mr. Zhang Zhenghua	✓	✓
Ms. Xiang Yuan (<i>Appointed on 21 January 2025</i>)	✓	✓
Independent Non-Executive Directors		
Dr. Wang Guiping	✓	✓
Mr. Huang Ruilin	✓	✓
Mr. Chan Kwun Nam (<i>Resigned on 13 March 2025</i>)	✓	✓
Mr. Luo Mingsheng (<i>Appointed on 13 March 2025</i>)	✓	✓

a: Directors received regular briefings and updates from the company secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

COMPANY SECRETARY

Mr. Lau Chi Yuen was engaged acting as the company secretary of the Company and the authorised representative of the Company on 31 May 2019. Mr. Lau possesses the necessary qualifications and experience as listed out in Rule 3.28 of the Listing Rules, and is capable of performing the functions of the Company Secretary. Pursuant to Code Provision C.6.1 of the CG Code, an issuer can engage an external service provider to provide company secretarial services, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact.

The biographical details of Mr. Lau are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- delivery of the interim and annual results and reports to all Shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and the Shareholders.

The Board has maintained an on-going dialogue with the Shareholders and investors of the Company, and will regularly review this policy to ensure its effectiveness. Information will be communicated to the Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meeting and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

SHAREHOLDERS' RIGHTS

1. Procedure for Shareholders to convene an extraordinary general meeting

Any one or more Shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address: Unit 803, 8/F., GR8 Inno Tech Centre, 46 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong
Email: info@hsi.hl.com
Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within twenty-one (21) days of such deposit the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Principal place of business of the Company in Hong Kong

Address: Unit 803, 8/F., GR8 Inno Tech Centre, 46 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong
Email: info@hsihl.com
Attention: Board of Directors/Company Secretary

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

3. Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong at Unit 803, 8/F., GR8 Inno Tech Centre, 46 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (a) Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;
- (b) Notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and
- (c) Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2018 which sets out the factors in determination of dividend payment of the Company (the “Dividend Policy”).

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of Articles of Association effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group’s earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group’s lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

WHISTLEBLOWING POLICY

The purpose of the Whistleblowing Policy is to maintaining high standards of business ethics and corporate governance. We are committed in dealing appropriately with our employees, those with whom we do business and the communities in which we operate. The policy sets out how reports of inappropriate acts can be submitted, reviewed and investigated. The Group will handle all whistleblowing reports in a responsible manner and treat the whistleblower’s concerns fairly and properly. During the year ended 31 December 2025, the Group complied with the relevant laws and regulations regarding bribery and anti-corruption while there were no material breaches of the relevant laws and regulations regarding bribery, extortion, fraud and money laundering in Hong Kong. There were also no legal cases regarding corrupt practices brought against the Group or its employees.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Group is committed to achieving the high standards of integrity and ethical behaviour in conducting business. The Antibribery and Anti-corruption Policy forms an integral part of the Group’s corporate governance framework. The Anti-bribery and Anti-corruption Policy sets out the specific behavioural guidelines that the Group’s personnel and business partners must follow to combat corruption. It demonstrates the Group’s commitment to the practice of ethical business conduct and the compliance with the anti-corruption laws and regulations applicable to its local and foreign operations. In line with such commitment and to ensure transparency in the Group’s practices, the Anti-bribery and Anti-corruption Policy has been prepared as a guide to all staff of the Group and third parties dealing with the Group. Anti-bribery and Anti-corruption Policy will be reviewed on an annual basis to align with the applicable laws and regulations as well as the industry best practice.

CONSTITUTIONAL DOCUMENTS

The third amended and restated memorandum and articles of association of the Company (the “Constitutional Documents”) were approved for amendment by the shareholders of the Company at the annual general meeting of the Company on 30 June 2023.

The changes were mainly to conform with the core shareholder protection standards (set out in Appendix A1 to the Listing Rules) that applied to all listed issuers to provide the same level of protection to all investors.

A copy of the Company’s updated Constitutional Documents is available on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF HUISENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huisheng International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 134, 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 as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of trade receivables, deposits and other receivables

Refer to Note 4, Note 5, Note 21 and Note 22 to the consolidated financial statements.

As at 31 December 2025, the Group had gross trade receivables, deposits and other receivables of approximately RMB201,745,000 and RMB30,103,000. The provision for impairment of trade receivables, deposits and other receivables are approximately RMB25,561,000 and RMB16,410,000.

In general, the credit terms granted by the Group to the customers ranged between 30 to 180 days. Management applied judgement in assessing the expected credit losses ("ECL"). Trade and other receivables relating to counterparties with known financial difficulties or significant doubt on collection of trade receivables are assessed individually for provision for loss allowance. ECL are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its business and its ageing category, and applying ECL rates to the respective gross carrying amounts of the trade receivables. The management assessed the recoverability of amounts due from related companies based on these counterparties' capability of repayment. The ECL rates on these receivables are determined based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

We focused on this area due to the impairment assessment of trade receivables, deposits and other receivables under the ECL model involved the use of significant management judgements and estimates.

Our procedure in relation to the management's impairment assessment of the trade receivables, deposits and other receivables as at 31 December 2025 included but not limited to:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;
- Checking on a sample basis, the ageing profile of the trade as at 31 December 2025 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the past due status of each of the material trade, deposits and other receivables as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers or debtors; and
- Assessing the appropriateness of the ECL provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL.

We found that the management's judgement and estimates used to assess the recoverability of the trade receivables, deposits and other receivables and its impairment provision were supported by the available evidence.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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

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ANNUAL REPORT 2025

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

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

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

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

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is FONG, Ka Yiu (practicing certificate number: P08080).

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hong Kong, 31 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	6	209,572	44,279
Cost of sales		(207,002)	(43,737)
Gross profit		2,570	542
Other income	6	3,345	5,495
Other gain or loss, net	8	(125)	–
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss	11	(778)	688
Write-off of property, plant and equipment	11	–	(18,006)
Allowance for expected credit losses, net		(12,478)	(393)
Selling and distribution expenses		(240)	(46)
Administrative expenses		(7,688)	(12,489)
Finance costs	9	–	(5)
Loss before taxation		(15,394)	(24,214)
Taxation	10	–	–
Loss for the year	11	(15,394)	(24,214)
Other comprehensive income/(expense) for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		718	(1,250)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(209)	409
Other comprehensive income/(expense) for the year, net of income tax		509	(841)
Total comprehensive expense for the year		(14,885)	(25,055)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Loss for the year attributable to:			
Owners of the Company		(15,556)	(24,520)
Non-controlling interests		162	306
		(15,394)	(24,214)
Total comprehensive expense attributable to:			
Owners of the Company		(14,449)	(25,919)
Non-controlling interests		(436)	864
		(14,885)	(25,055)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	(1.69)	(2.71)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	16	36,184	40,197
Right-of-use assets	17	8,263	8,723
Financial assets at fair value through other comprehensive income	18	1,868	1,150
		46,315	50,070
Current assets			
Financial assets at fair value through profit or loss	19	4,401	5,379
Inventories	20	19,632	–
Trade receivables	21	176,184	13,016
Loan receivables	22	–	–
Prepayments, deposits and other receivables	22	182,078	1,473
Bank balances and cash	23	24,601	397,768
		406,896	417,636
Current liabilities			
Trade payables	24	10,148	12,383
Accruals and other payables	25	64,092	61,341
Lease liabilities	26	–	2
Deferred revenue	27	25	25
		74,265	73,751
Net current assets		332,631	343,885
Total assets less current liabilities		378,946	393,955

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	26	–	99
Deferred revenue	27	127	152
		127	251
Net assets			
		378,819	393,704
Equity			
Share capital	28	7,698	7,698
Reserves		374,893	389,342
Equity attributable to owners of the Company		382,591	397,040
Non-controlling interests		(3,772)	(3,336)
Total equity		378,819	393,704

Approved by the board of directors on 31 March 2026 and signed on its behalf by:

Zhang Zhenghua
Director

Xiang Yuan
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2025

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000 (note (a))	Other reserve RMB'000 (note (b))	Share option reserve RMB'000	Revaluation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2024	7,308	445,247	4,214	43,233	16,329	2,416	900	(98,759)	420,888	(4,200)	416,688
Loss for the year	-	-	-	-	-	-	-	(24,520)	(24,520)	306	(24,214)
Other comprehensive (expense)/income for the year:											
- Change in fair value of FVOCI	-	-	-	-	-	-	(1,250)	-	(1,250)	-	(1,250)
- Exchange different on translation of foreign operations	-	-	(149)	-	-	-	-	-	(149)	558	409
Total comprehensive (expense)/income for the year	-	-	(149)	-	-	-	(1,250)	(24,520)	(25,919)	864	(25,055)
Issue of shares	390	1,681	-	-	-	-	-	-	2,071	-	2,071
Lapsed of share options	-	-	-	-	-	(2,416)	-	2,416	-	-	-
As at 31 December 2024 and 1 January 2025	7,698	446,928	4,065	43,233	16,329	-	(350)	(120,863)	397,040	(3,336)	393,704
Loss for the year	-	-	-	-	-	-	-	(15,556)	(15,556)	162	(15,394)
Other comprehensive income/(expense) for the year:											
- Change in fair value of FVOCI	-	-	-	-	-	-	718	-	718	-	718
- Exchange different on translation of foreign operations	-	-	389	-	-	-	-	-	389	(598)	(209)
Total comprehensive income/(expense) for the year	-	-	389	-	-	-	718	(15,556)	(14,449)	(436)	(14,885)
As at 31 December 2025	7,698	446,928	4,454	43,233	16,329	-	368	(136,419)	382,591	(3,772)	378,819

Notes:

- (a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (b) Other reserve represents the capital contributions from the owners of the subsidiaries now comprising the Group before the completion of the reorganisation on 10 November 2011.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
Loss before taxation		(15,394)	(24,214)
Adjustments for:			
Interest income	6	(233)	(1,237)
Amortisation of deferred revenue	6	(25)	(25)
Depreciation of property, plant and equipment	11	4,013	4,155
Depreciation of right-of-use assets	11	234	244
Write-off of property, plant and equipment	11	–	18,006
Unrealised loss/(gain) on financial assets at fair value through profit or loss	11	778	(688)
Early termination of leases	8	125	–
Allowance for expected credit losses, net		12,478	393
Finance cost		–	5
Operating cash flows before movements in working capital			
		1,976	(3,361)
Increase in inventories		(19,632)	–
(Increase)/decrease in trade receivables		(175,500)	3,848
(Increase)/decrease in prepayments, deposits and other receivables		(180,799)	1,044
(Decrease)/increase in trade payables		(2,607)	658
Increase in accruals and other payables		3,170	4,769
Net cash (used in)/generated from operating activities		(373,392)	6,958
Investing activities			
Interest received	6	233	919
Purchase of property, plant and equipment	16	–	(50)
Net cash generated from investing activities		233	869

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2025

Notes	2025 RMB'000	2024 RMB'000
Net (decrease)/increase in cash and cash equivalents	(373,159)	7,827
Cash and cash equivalents at the beginning of the year	397,768	389,836
Effect of foreign exchange rate changes	(8)	105
Cash and cash equivalents at the end of the year	24,601	397,768

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Huisheng International Holdings Limited (the “Company”) is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands, whose registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at Unit 803, 8/F., GR8 Inno Tech Centre, 46 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the production and sale of daily consumption pork and related meat food products for domestic market in the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Renminbi (“RMB”). The functional currency of the Company is Hong Kong dollars (“HK\$”). The directors of the Company considered that it is more appropriate to present the consolidated financial statements in RMB as the functional currency of the most principal operating subsidiaries of the Group is RMB. The consolidated financial statements are presented in thousands (“RMB’000”), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards as issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 in issue 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:

Amendments to HKFRS 9 and HKFRS 7	Amendments to Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
Amendments to HKAS 21 HKFRS 18	Translation to a Hyperinflationary Presentation Currency ³ Presentation and Disclosure in Financial Statements ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting standards will have no material impact on the Group's financial positions and performance and/or the disclosures to the consolidated financial statements of the Group in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 1 Presentation and Disclosure in Financial Statements which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, 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. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the title of which will be changed to Basis of Preparation of Financial Statements upon of HKFRS 18) and HKFRS 7 Financial Instruments: Disclosures. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provision. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which is a collective term that includes all applicable individual HKFRS Accounting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations as issued by the HKICPA, and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary user. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

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

Material Accounting Policy Information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of 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 are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non – controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2023, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Goodwill (Continued)

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the CGU (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained, unless the Group can demonstrate that some other method better reflect the goodwill associated with the operation disposed of.

Revenue from contracts with customers

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.

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 Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Revenue from contract with customers (Continued)

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group recognises revenue from the following major source which was recognised over the terms of the contracts as the work is performed:

Sales of pork products

Revenue is recognised when pork products are delivered, hogs are slaughtered at the customers' premises which are taken to be the point in time when the customer accepts and takes the control of the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the 61 relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

Lease payments include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

The Group presents lease liabilities as a separate line on the consolidated statement of financial position.

Lease modifications

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 leases 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 as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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

The Group as a lessor

Classification and measurement of leases

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 incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Initial direct costs for leases in which the Group is the manufacturer or dealer lessor are recognised in costs of sales at the commencement date of the finance leases. Interest 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.

Rental income from operating leases is recognised in profit or loss 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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong dollars. The functional currency of the PRC subsidiary is RMB. The consolidated financial statements are presented in RMB which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than 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 exchange rates prevailing on 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 purpose of presenting 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 expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in HK\$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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 that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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.

An unconditional government grant related to the processing of ill hogs shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Government grants (Continued)

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

Government grants 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. Such grants are presented under "Other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

For Long Service Payment (“LSP”) obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group’s MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities’ carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

Current tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Taxation (Continued)

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 and interests 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

If the owner-occupied property (including the relevant leasehold land classified as right-of-use assets) becomes an investment property because its use has changed as evidenced by end of owner-occupation, they do not change the carrying amount of the property transferred and the cost of that property for measurement or disclosure purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Property, plant and equipment (Continued)

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 that is accounted for as an operating lease 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.

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

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.

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account of their residual value, on a straight-line basis at the following rates per annum:

Buildings	4.75%
Plant and machinery	9.50%
Motor vehicles	24%
Furniture, fixture and equipment	19%–31.67%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimated 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 a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of 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 than for investment or other purposes.

For the purposes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments

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

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

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

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other income.

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 generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement of financial assets (Continued)

Equity instruments designated as at FVOCI

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and present as a separate line item.

(ii) Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit losses ("ECL") model on financial assets (including trade receivables, loan receivables, deposits and other receivables and cash and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

- (ii) Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)
Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period 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 core operations.

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

- 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, 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

- (ii) Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

Write-off 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. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

- (ii) Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)
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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables, loan receivables, deposits and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(iii) Derecognition/modification of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either 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 the Group 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 method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Related parties transactions

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Related parties transactions (Continued)

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material Accounting Policy Information (Continued)

Contingent assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Provision of ECL for trade receivables, deposits and other receivables

The Group estimates the loss allowance for trade receivables using ECL model in accordance with HKFRS 9. Under the model, the Group assesses lifetime ECL individually for trade receivables with significant balances or credit impaired balances and/or collectively using a provision matrix with appropriate age groupings for the remaining debtors. The management takes into consideration, inter alia, the historical default rates, past due status, general economic conditions and an assessment of both the current conditions at the report date as well as the forward-looking information specific to the debtors.

The Group uses three-stage model to calculate ECL for the deposits and other receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The three-stage model is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, deposits and other receivables with significant balances and credit impaired balances are assessed for ECL individually.

As at 31 December 2025, there were trade receivables, deposits and other receivables approximately RMB176,184,000 and RMB13,693,000 (2024: approximately RMB13,017,000 and RMB174,000), respectively, net of allowances for expected credit losses of approximately RMB25,561,000 and RMB16,410,000 (2024: approximately RMB12,762,000 and RMB15,523,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, deposits and other receivables are disclosed in notes 5(b), 21 and 22.

(b) Fair value measurement of financial instruments

As at 31 December 2025, certain of the Group's financial assets, unlisted equity instruments amounting to approximately RMB1,868,000 (2024: approximately RMB1,150,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of the key assumptions and inputs used are disclosed in Note 5(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets		
Amortised cost		
– Trade receivables	176,184	13,016
– Deposits and other receivables	13,693	173
– Bank balances and cash	24,601	397,768
	214,478	410,957
Financial assets at FVPL	4,401	5,379
Financial assets at FVOCI	1,868	1,150
	220,747	417,486
Financial liabilities		
Amortised cost		
– Trade payables	10,148	12,383
– Accruals and other payables	64,092	61,341
– Lease liabilities	–	101
	74,240	73,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management

The directors monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, loan receivables, deposits and other receivables, bank balances and cash, financial assets at FVPL, financial assets at FVOCI, trade payables, accruals and other payables and lease liabilities. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and 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.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in the banks. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances where necessary.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVPL during the reporting period. The management of the Group manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date.

If market prices of equity investments have been 5% (2024: 5%) higher/lower, loss after tax for the year ended 31 December 2025 would decrease/increase by approximately RMB188,000 (2024: RMB220,000) as a result of the changes in fair value of investments at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, loan receivables, deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2025 and 2024.

In respect of trade receivables, ECLs are recognised under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. The management 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. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group assessed its trade receivables individually, for significant balances and credit-impaired balances, and/or collectively based on the aging analysis of trade receivables. Significant and/or credit-impaired trade receivables balances are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables.

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Majority of the Group's revenue is received from individual customers in relation to hog slaughtering, sale of pork products and sale of pipe system products. The Group's trade receivables arise from hog slaughtering, sale of pork products and sale of pipe system products to the customers. As at 31 December 2025 and 2024, the top three debtors and the largest debtor accounted for approximately 21.2% and 7.8% (2024: approximately 59.7% and 45.5%) of the Group's gross trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, the management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed below. The management makes periodic assessments on the recoverability of the trade receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

As the Group's historical credit loss experience does indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases in PRC and Japan.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2025 and 2024:

	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2025			
Current (not past due)	6.76%	188,836	12,773
1-180 days past due	9.23%	65	6
181-365 days past due	15.07%	73	11
More than 1 year past due	100.0%	12,771	12,771
		201,745	25,561
As at 31 December 2024			
Current (not past due)	28.6%	17,990	5,154
1-180 days past due	80.0%	818	638
More than 1 year past due	100.0%	6,971	6,971
		25,779	12,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The following tables show reconciliation of loss allowances that have been recognised for trade receivables as at 31 December 2025 and 2024:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Trade receivables			
At 1 January 2024	6,230	6,895	13,125
– Transfer to credit-impaired	(410)	410	–
– Impairment loss recognised	1,670	100	1,770
– Impairment loss reversed	(1,698)	–	(1,698)
– Exchange realignment	–	(434)	(434)
At 31 December 2024 and 1 January 2025	5,792	6,971	12,763
– Transfer to credit-impaired	(2,347)	2,347	–
– Impairment loss recognised	12,771	3,135	15,906
– Impairment loss reversed	(3,426)	(148)	(3,574)
– Exchange realignment	–	466	466
At 31 December 2025	12,790	12,771	25,561

During the year ended 31 December 2025, the Group provided net amount of approximately RMB12,332,000 impairment allowance (2024: RMB72,000) for trade receivables, based on collective assessment. Impairment allowance of approximately RMB3,135,000 (2024: RMB100,000) were made on credit-impaired debtors due to the Group considered an event of default occurred.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and the Group determines that the debtors does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Impairment losses on trade receivables are presented as net impairment losses within operating profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

In respect of loan receivables, deposits and other receivables, ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For loan receivables, deposits and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on the internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

The Group reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group uses three categories for those receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Company definition of category	Basis for recognition of loss allowance
Performing	Receivables whose credit risk is in line with original expectations	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its Lifetime ECL (stage 1)
Under-performing	Receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL (stage 2)
Non-performing (credit-impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime ECL (stage 3)
Write-off	Interest and/or principal repayments are 1 year past due and there is no reasonable expectation of recovery	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The loss allowance for loan receivables, deposits and other receivables as at 31 December 2025 and 2024 was determined as follows:

Loan receivables	2025		2024	
	Non-performing (credit-impaired) RMB'000	Total RMB'000	Non-performing (credit-impaired) RMB'000	Total RMB'000
Expected credit loss rate	100.0%		100.0%	
Gross carrying amount	2,590	2,590	2,699	2,699
Loss allowance	2,590	2,590	2,699	2,699

Deposits and other receivables	2025			2024		
	Performing RMB'000	Non-performing (credit-impaired) RMB'000	Total RMB'000	Performing RMB'000	Non-performing (credit-impaired) RMB'000	Total RMB'000
Expected credit loss rate	1.1%	100.0%		1.7%	100.0%	
Gross carrying amount	13,840	16,263	30,103	176	15,520	15,696
Loss allowance	147	16,263	16,410	3	15,520	15,523

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of customers. No significant changes to estimation techniques or assumptions were made during the reporting period.

Due to greater financial uncertainty triggered by the long overdue balance of other receivables and deposits, the Group has maintained higher expected loss rates in the current year as there is higher risk that could led to increased credit default rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

The following tables show the movement of allowances for ECL of loan receivables, deposits and other receivables as at 31 December 2025 and 2024:

	12m ECL RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Loan receivables			
At 1 January 2024	–	2,621	2,621
– Exchange realignment	–	78	78
At 31 December 2024 and 1 January 2025	–	2,699	2,699
– Exchange realignment	–	(109)	(109)
At 31 December 2025	–	2,590	2,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Credit risk (Continued)

	12m ECL RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Other receivables and deposits			
At 1 January 2024	47	15,860	15,907
– Transfer to credit-impaired	3	365	368
– Impairment losses recognised	(47)	–	(47)
– Exchange realignment	–	(705)	(705)
At 31 December 2024 and 1 January 2025	3	15,520	15,523
– Impairment losses recognised	144	2	146
– Exchange realignment	–	741	741
At 31 December 2025	147	16,263	16,410

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Business risk

The Group is exposed to financial risks arising from changes in equity price risk through its investments in equity securities measured at FVPL and FVOCI, the changes in prices of hogs, the change in cost and supply of feed ingredients and the change in prices of pipe system products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and animal diseases. The Group has little or no control over these conditions and factors.

For equity securities measured at FVPL quoted in the Stock Exchange, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities for investee operating in supply of feed ingredients sector for long term strategic purposes which had been designated as FVOCI.

The Group is subject to risks relating to its ability to maintain animal health status.

Livestock health problems (e.g. African Swine Fever (“ASF”)) could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, the Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders’ funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group’s operations and mitigate the effect of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

Liquidity risk (Continued)

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have 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 tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2025							
Non-derivative financial liabilities							
Trade payables	-	10,148	-	-	-	10,148	10,148
Accruals and other payables	-	64,092	-	-	-	64,092	64,092
		74,240	-	-	-	74,240	74,240

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2024							
Non-derivative financial liabilities							
Trade payables	-	12,383	-	-	-	12,383	12,383
Accruals and other payables	-	61,341	-	-	-	61,341	61,341
Lease liabilities	9.59	11	11	35	168	225	101
		73,735	11	35	168	73,949	73,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

(i) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value on a recurring basis. The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

As at 31 December 2025

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	4,401	–	–	4,401
Financial assets at FVOCI	–	–	1,868	1,868
	4,401	–	1,868	6,269

As at 31 December 2024

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL	5,379	–	–	5,379
Financial assets at FVOCI	–	–	1,150	1,150
	5,379	–	1,150	6,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(i) Fair value hierarchy (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2025 RMB'000	2024 RMB'000			
Listed equity securities in HK	4,401	5,379	Level 1	Quoted bid prices in an active N/A market	N/A
Private equity investments at FVOCI	1,868	1,150	Level 3	Market approach – EV/LTM EBIT Multiple	Discount for lack of marketability of 15.6% (2024: 15.6%) (note (a)) EV/EBIT Multiple of 9.83 (2024: 10.5) (note (b))

Notes:

- (a) A slight increase in the discount for lack of marketability used in isolation would result in a slight decrease in the fair value measurement of the private equity investments at FVOCI, and vice versa. A 2% (2024: 2%) increase in the discount for lack of marketability holding all other variables constant would decrease the carrying amount of private equity investments at FVOCI by approximately RMB5,000 (2024: approximately RMB4,000).
- (b) A slight decrease in the EV/EBIT multiple used in isolation would result in a slight decrease in the fair value measurement of the private equity investments at FVOCI, and vice versa. A 2% (2024: 2%) decrease in the EV/EBIT multiple holding all other variables constant would decrease the carrying amount of private equity investments at FVOCI by approximately RMB30,000 (2024: approximately RMB20,000).

There were no transfers between Level 1 and Level 2 and transfers into Level 3 during both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVOCI RMB'000
At 1 January 2024	2,400
Total loss:	
– in other comprehensive income	(1,250)
At 31 December 2024 and 1 January 2025	1,150
Total gain:	
– in other comprehensive income	718
At 31 December 2025	1,868

Included in other comprehensive income is an amount of gain of approximately RMB718,000 (2024: loss of approximately RMB1,250,000) relating to unlisted equity securities classified as equity instruments at FVOCI held at the end of the current reporting period and is reported as changes of revaluation reserve.

6. REVENUE AND OTHER INCOME

The reconciliation of revenue from contracts with customers for the years ended 31 December 2025 and 2024 is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers		
<i>Recognition at a point in time</i>		
Sale of pork products	209,572	44,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

6. REVENUE AND OTHER INCOME (Continued)

	2025 RMB'000	2024 RMB'000
Other income		
Interest income on:		
Bank deposits	233	919
Loan receivables	–	318
Total interest income	233	1,237
Amortisation of deferred revenue	25	25
Rental income	2,982	2,972
Dividend income from equity investment	105	1,261
	3,345	5,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“CODMs”), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group is principally engaged in slaughtering and trading of pork products, and pipe system products. The two reportable segments of the Group under HKFRS 8 are as follows:

- (a) Slaughtering and trading of pork products – slaughtering and trading of pork products
- (b) Pipe system products – selling and distributing of pipe system products, and conducting in the provision of technical advisory services on the design, application, implementation and installation

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

	Slaughtering and trading of pork products RMB’000	Pipe system products RMB’000	Total RMB’000
Year ended 31 December 2025			
Segment revenue	209,572	–	209,572
Segment results	(11,980)	–	(11,980)
Loss arising from change in fair value of financial assets at fair value through profit or loss			(778)
Unallocated corporate expenses			(2,636)
Loss before taxation			(15,394)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Total RMB'000
Year ended 31 December 2024			
Segment revenue	44,279	–	44,279
Segment results	(19,754)	(1)	(19,755)
Gain arising from change in fair value of financial assets at fair value through profit or loss			688
Allowance for expected credit losses, net			(364)
Unallocated corporate income			318
Unallocated corporate expenses			(5,101)
Loss before taxation			(24,214)

Segment results represent the profit earned by or loss from each segment without allocation of (loss)/gain arising from change in fair value of financial assets at fair value through profit or loss, allowance for expected credit losses, net, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Total RMB'000
At 31 December 2025			
Segment assets	447,132	186	447,318
Segment liabilities	(39,530)	(12,518)	(52,048)
At 31 December 2024			
Segment assets	460,568	173	460,741
Segment liabilities	(41,703)	(11,671)	(53,374)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Reconciliation of reportable segments' assets and liabilities:

	2025 RMB'000	2024 RMB'000
Assets		
Total assets of reportable segments	447,318	460,741
Unallocated and other corporate assets:		
Financial assets at fair value through profit or loss	4,401	5,379
Prepayments, deposits and other receivables	1,241	1,154
Bank balances and cash	251	432
Consolidated total assets	453,211	467,706
Liabilities		
Total liabilities of reportable segments	52,048	53,374
Unallocated and other corporate liabilities:		
Accruals and other payables	22,344	20,628
Consolidated total liabilities	74,392	74,002

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated and other corporate assets (mainly comprising financial assets at fair value through profit of loss, prepayments, deposits and other receivables and bank balances and cash); and
- all liabilities are allocated to operating segments other than unallocated and other corporate liabilities (mainly comprising accruals and other payables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Other segment information

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2025				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	4,013	–	–	4,013
Depreciation of right-of-use assets	234	–	–	234
Allowance for expected credit losses, net	12,478	–	–	12,478

	Slaughtering and trading of pork products RMB'000	Pipe system products RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2024				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	4,155	–	–	4,155
Depreciation of right-of-use assets	244	–	–	244
Write-off of property, plant and equipment	18,006	–	–	18,006
Allowance for expected credit losses, net	29	–	364	393

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2025 RMB'000	2024 RMB'000
Slaughtering and trading of pork products	209,572	44,279

Information about geographical areas

During the year, the Group was mainly operating in the PRC (2024: the PRC). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	2025 RMB'000	2024 RMB'000
Revenue		
– The PRC	209,572	44,279

The Group's non-current assets are principally attributable to a single geographical region, which is the PRC. Accordingly, no further geographical segment information is presented.

The Group's geographical concentration risk is located in the PRC, which accounted for 100.0% (2024: 100.0% in the PRC) of the total revenue during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

7. SEGMENT INFORMATION (Continued)

Information about major customers

For the year ended 31 December 2025, revenue generated from zero (2024: three) customers of the Group which have individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2025 and 2024.

Revenue from major customer, which contribute to 10% or more of the Group's revenue is set out below:

	2025	2024
	RMB'000	RMB'000
Customer A from slaughtering and trading of pork products (<i>note</i>)	N/A	6,393
Customer B from slaughtering and trading of pork products (<i>note</i>)	N/A	6,462
Customer C from slaughtering and trading of pork products (<i>note</i>)	N/A	9,429

Note:

The revenue contributed by Customer A, Customer B and Customer C during the year ended 31 December 2025 was less than 10% of the Group's revenue.

8. OTHER GAIN OR LOSS, NET

An analysis of the Group's other gain or loss for the years ended 31 December 2025 and 2024 is as follows:

	2025	2024
	RMB'000	RMB'000
Early termination of leases	(125)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on:		
– Lease liabilities (note 26)	–	5

10. TAXATION

	2025 RMB'000	2024 RMB'000
Current tax – PRC		
Charge for the year	–	–
Income tax charge	–	–

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

10. TAXATION (Continued)

PRC

The PRC Enterprise Income Tax (the “PRC EIT”) is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得稅優惠政策的農產品初加工範圍(試行) (2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) on 20 November 2008. Hunan Huisheng Meat Products Company Limited (“Hunan Huisheng”) (湖南惠生肉業有限公司) meets the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Hunan Huisheng is operating in the business of primary processing of agricultural products was exempted from the PRC EIT during the years ended 31 December 2025 and 2024.

According to the prevailing tax rules and regulations, the Group is operating in agricultural business, which is exempted from the PRC EIT, and no deferred taxation impact was considered for each of the reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

10. TAXATION (Continued)

The income tax expenses for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2025	2024
	RMB'000	RMB'000
Loss before taxation	(15,394)	(24,214)
Tax at the applicable income tax rate	(3,558)	(5,674)
Tax effect of income not taxable for tax purpose	(26)	(230)
Tax effect of expenses not deductible for tax purpose	3,775	5,182
Tax effect of deductible temporary differences not recognised	(747)	(67)
Tax effect of tax loss not recognised	556	789
Income tax expenses	-	-

In accordance with the accounting policy set out in Note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB47,751,000 (2024: approximately RMB44,379,000) and deductible temporary differences of RMB2,989,000 (2024: approximately RMB392,000) related to impairment losses on financial assets as it is not probable that the future taxable profits against which the losses can be utilised will be available in relevant tax jurisdiction and entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

11. LOSS FOR THE YEAR

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

	2025	2024
	RMB'000	RMB'000
Directors' emoluments (<i>Note 12</i>):		
Directors' fee	273	387
Salaries, allowances and benefits in kind	82	47
Retirement scheme contributions	9	2
	364	436
Other staff costs:		
Salaries and other benefits	983	938
Retirement scheme contributions	86	72
Total staff costs	1,433	1,446
Auditors' remuneration		
– Audit service	700	700
Depreciation of property, plant and equipment (<i>Note 16</i>)	4,013	4,155
Depreciation of right-of-use assets (<i>Note 17</i>)	234	244
Expenses relating to short-term lease	13	–
Cost of inventories recognised as expenses	207,002	43,737
Allowance for expected credit loss, net	12,478	393
Write-off of property, plant and equipment (<i>Note 16</i>)	–	18,006
An analysis of the gain arising from change in fair value of financial assets at FVPL classified as held for trading investments is as follows:		
Unrealised loss/(gain) on financial assets at FVPL	778	(688)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

12. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2025 RMB'000	2024 RMB'000
Directors' fees	273	387
Other emoluments:		
Salaries, allowances and benefits in kind	82	47
Retirement scheme contributions	9	2
	91	49
	364	436

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2025				
Executive director:				
Mr. Zhang Zheng Hua	55	48	9	112
Ms. Xiang Yuan <i>(Appointed on 21 January 2025)</i>	53	34	–	87
Independent non-executive directors:				
Mr. Chan Kwun Nam <i>(Appointed on 6 February 2024 and resigned on 13 March 2025)</i>	11	–	–	11
Luo Mingsheng <i>(Appointed on 13 March 2025)</i>	44	–	–	44
Dr. Wang Guiping	55	–	–	55
Mr. Huang Ruilin	55	–	–	55
	273	82	9	364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

12. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2024				
Executive director:				
Ms. Qin Yuanling <i>(Resigned on 27 September 2024)</i>	102	34	–	136
Mr. Zhang Zheng Hua <i>(Appointed on 27 September 2024)</i>	14	13	2	29
Independent non-executive directors:				
Mr. Chan Kwun Nam <i>(Appointed on 6 February 2024 and resigned on 13 March 2025)</i>	50	–	–	50
Mr. Wong Yuk Lun, Alan <i>(Resigned on 6 February 2024)</i>	11	–	–	11
Dr. Wang Guiping	105	–	–	105
Mr. Huang Ruilin	105	–	–	105
	387	47	2	436

Notes:

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

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

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2025 and 2024 respectively. None of the directors agreed to waive or waived any emoluments during the year (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year included two executive director (2024: four). Details of whose emoluments are set out above in Note 11. The details of the emoluments of the remaining three (2024: one) highest paid individuals are as follows:

	2025	2024
	RMB'000	RMB'000
Salaries and other allowances	159	129
Retirement scheme contributions	27	16
	186	145

The number of non-director highest paid employees whose emoluments fell within the following band is as follows:

	2025	2024
	RMB'000	RMB'000
Nil to RMB922,000 (equivalent to HK\$1,000,000)	3	1

During the reporting period, no emoluments were paid by the Group to the directors or any of the five highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

No bonus was paid or receivable by directors or five highest paid employees after considering the Group's operational and financial performance during the year (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(15,556)	(24,520)
	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	922,838	903,559

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of approximately RMB15,556,000 (2024: approximately RMB24,520,000) and the weighted average number of 922,838,000 (2024: 903,550,000) ordinary shares in issue during the year ended 31 December 2025.

No diluted loss per share was presented as there was no potential ordinary shares in issue for the year ended 31 December 2025 and 2024.

15. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2024	160,802	144,151	5	3,389	74,614	382,961
Addition	50	–	–	–	–	50
Write-off (<i>note</i>)	(49,478)	(2,670)	–	(1,301)	–	(53,449)
Exchange realignment	2	–	–	18	–	20
As at 31 December 2024 and 1 January 2025	111,376	141,481	5	2,106	74,614	329,582
Exchange realignment	(2)	–	–	(25)	–	(27)
As at 31 December 2025	111,374	141,481	5	2,081	74,614	329,555
Accumulated depreciation and impairment						
As at 1 January 2024	98,924	143,721	5	3,389	74,614	320,653
Provided for the year	4,110	45	–	–	–	4,155
Write-off (<i>note</i>)	(31,472)	(2,670)	–	(1,301)	–	(35,443)
Exchange realignment	2	–	–	18	–	20
As at 31 December 2024 and 1 January 2025	71,564	141,096	5	2,106	74,614	289,385
Provided for the year	3,968	45	–	–	–	4,013
Exchange realignment	(2)	–	–	(25)	–	(27)
As at 31 December 2025	75,530	141,141	5	2,081	74,614	293,371
Carrying amounts						
As at 31 December 2025	35,844	340	–	–	–	36,184
As at 31 December 2024	39,812	385	–	–	–	40,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

In early of February 2024, a severe ice and snow disaster struck Hunan Province, China, causing widespread freezing rain and heavy snowfall. The Group's two breeding farms located in Taoyuan City and Changde City, both within Hunan Province, were severely impacted, resulting in significant damage and subsequently collapse the facilities, the management of the Company then made the decision to write of the abovementioned assets of approximately RMB18,006,000 during the year ended 31 December 2024.

Impairment loss

In view of the current situation including the long-term low domestic pig prices and the continued spread of African Swine Fever with regional outbreaks, there is an indicator of impairment for property, plant and equipment of the slaughterhouse and right-of-use assets, and hence the management carried out impairment testing on property, plant and equipment of the slaughterhouse and right-of-use assets. The recoverable amount of the property, plant and equipment of the slaughterhouse and right-of-use assets has been determined based on a higher of value-in-use and fair value less costs of disposal (2024: higher of value-in-use and fair value less costs of disposal).

The recoverable amount has been arrived at based on a valuation carried out by Vincorn Consulting and Appraisal Limited ("Vincorn"), independent valuer not connected with the Group.

The fair value less cost of disposal is assessed through cost approach which estimated by reference to the accumulating costs that would be incurred in order to replace or reproduce the asset in its current condition. This approach is generally applied to the valuation of real property interests through the depreciated replacement cost method. It is normally used when there is either no evidence of transaction price for similar property or no identifiable actual or notional income stream that would accrue to the owner of the relevant interest. It is principally used for the valuation of specialised assets, which is property that is rarely if ever sold in the market, except by way of sale of the business or entity for which the property is part of the business. The assessment of the depreciated replacement cost requires an estimate of the new replacement/reproduction cost of the assets as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc. The fair value measurement is categorised into Level 3 fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss (Continued)

As at 31 December 2025, the recoverable amount of the property, plant and equipment of slaughterhouse and right-of-use assets based on higher of fair value less costs of disposal and value in use was approximately RMB 51,561,000 (2024: RMB58,581,000) and no impairment loss of property, plant and equipment of slaughterhouse and right-of-use assets has been recognised during the year ended 31 December 2025 and 2024.

The qualification of Vincorn

Vincorn's professionals come from real estate, finance and accounting disciplines. The professional valuers of the Vincorn participated in this valuation including but not limited to Member of The Hong Kong Institute of Surveyors, Member of the Royal Institution of Chartered Surveyors, Registered Professional Surveyor (General Practice), Member of the China Institute of Real Estate Appraisers and Agents, Registered Real Estate Appraiser People's Republic of China, Member of the Association of Chartered Certified Accountants, Member of the Chartered Financial Analyst Institute and Financial Risk Manager.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
As at 1 January 2024, 31 December 2024 and 31 December 2025	102	19,113	19,215
Early termination of lease	(102)	(263)	(365)
As at 31 December 2025	–	18,850	18,850
Accumulated depreciation and impairment			
As at 1 January 2024	20	10,228	10,248
Charge for the year	4	240	244
As at 31 December 2024 and 1 January 2025	24	10,468	10,492
Charge for the year	–	234	234
Early termination of lease	(24)	(115)	(139)
As at 31 December 2025	–	10,587	10,587
Carrying amounts			
As at 31 December 2025	–	8,263	8,263
As at 31 December 2024	78	8,645	8,723

The lease terms of the Group's office premises and land use rights range from 2 to 50 years for the years ended 31 December 2025 and 2024. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight-line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS (Continued)

Their useful lives are as follows:

Office premises	3–30 years
Land use rights	2–50 years

The lease agreements do not impose any covenants other than the security interests in the leased office premises that are held by the lessor. Leased office premises may not be used as security for borrowing purposes.

Details of the impairment assessment of right-of-use assets are set out in Note 16.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Unlisted equity investment in the PRC	1,868	1,150

Hunan Huisheng entered into an agreement with Yueyang Jiuding Agriculture Co., Ltd.* (岳陽九鼎農牧有限公司) to acquire 6% of equity interest in Changde Jiuding Agriculture Co., Ltd* (常德九鼎農牧有限公司) (“Changde Jiuding”) at an aggregate consideration of RMB1,500,000. Changde Jiuding is principally engaged in the production of feeds. The transaction was completed in April 2013.

On 20 April 2015, the shareholders of Changde Jiuding injected an additional capital of RMB10,000,000 which had immediately diluted Hunan Huisheng equity interest in Changde Jiuding from 6% to 5.8%.

Details of the fair value measurement of financial assets at FVOCI are set out in Note 5(c).

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Held-for-trading investments:		
Equity securities listed in Hong Kong (<i>note</i>)	4,401	5,379

Note:

At 31 December 2025, the fair value of the listed equity securities, amounting to approximately RMB4,401,000 (2024: approximately RMB5,379,000), was determined based on the quoted market bid prices available on the Stock Exchange.

20. INVENTORIES

	2025 RMB'000	2024 RMB'000
Chilled and frozen pork products	19,362	–

Inventories are stated at the lower of cost and net realisable value as at 31 December 2025.

21. TRADE RECEIVABLES

The Group offered credit period on sale of pork products ranged from 30 to 180 days. The ageing analysis of trade receivables, net of allowance for expected credit losses, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 30 days	24,792	12,532
31 to 60 days	21,514	304
61 to 90 days	30,937	180
91 to 180 days	97,921	–
181 to 365 days	1,020	–
	176,184	13,016

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management of the Group on the collectability of overdue balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

21. TRADE RECEIVABLES (Continued)

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB12,771,000 (2024: RMB6,971,000) which are past due as at the reporting date. Out of the past due balances, RMB73,000 (2024: nil) has been past due 180 days or more and is not considered as in default as the Directors are of the opinion that the balances are still considered recoverable due to long-term/ongoing relationship or agreed settlement plan with the customers.

Details of the assessment for expected credit losses are set out in Note 5(b).

22. LOAN RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Loan receivables (note (a))	2,590	2,699
Other prepayments, deposits and other receivables (notes (b), (c) and (d))	198,488	16,996
	201,078	19,695
Less: Allowance for expected credit losses	(19,000)	(18,222)
	182,078	1,473

Notes:

- (a) As at 31 December 2025, there were loan receivables of approximately RMB2,590,000 (2024: approximately RMB2,699,000) net of allowances for expected credit losses of approximately RMB2,590,000 (2024: approximately RMB2,699,000). The loan receivables were unsecured, weighted average interest bearing at 12.0% per annum (2024: 12.0% per annum) and repayable within one year (2024: one year).
- (b) As at 31 December 2025, there was other receivable of approximately RMB20,424,000 (2024: approximately RMB6,609,000) net of allowances for expected credit losses of approximately RMB6,744,000 (2024: approximately RMB6,450,000).
- (c) As at 31 December 2025, there were interest receivables of approximately RMB544,000 (2024: approximately RMB567,000) net of allowances for expected credit losses of approximately RMB544,000 (2024: approximately RMB567,000).
- (d) As at 31 December 2025, there were deposit paid for inventories of approximately RMB9,108,000 (2024: approximately RMB8,491,000) net of allowances for expected credit losses of approximately RMB9,108,000 (2024: approximately RMB8,491,000).
- (e) As at 31 December 2025, included in the prepayments mainly represented the prepayment for biological assets of approximately RMB166,975,000 (31 December 2024: nil)
- (f) Details of the assessment for expected credit losses are set out in Note 5(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

23. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2025	2024
	RMB'000	RMB'000
Bank balances and cash	24,601	397,768

As at 31 December 2025, the bank balances and cash of the Group denominated in Renminbi amounted to approximately RMB23,636,000 (2024: approximately RMB396,797,000). The RMB is not freely convertible into other currencies, however, under Mainland China's "Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Regulations", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Bank balances and cash carry interest at prevailing market saving rates is 0.01% to 0.25% per annum as at 31 December 2025 (2024: 0.01% to 0.30% per annum).

Reconciliation of liabilities arising from financing activities

	Lease liabilities
	RMB'000
Net debt as at 1 January 2024	102
Lease payment under accrued expense	(6)
Accrual interest	5
Net debt as at 31 December 2024 and 1 January 2025	101
Early termination of lease	(101)
Net debt as at 31 December 2025	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

24. TRADE PAYABLES

	2025 RMB'000	2025 RMB'000
Trade payables	10,148	12,383

The Group was offered credit period on purchase of goods within 60 days. The following is an ageing analysis of trade payables presented based on the invoice date.

	2025 RMB'000	2025 RMB'000
Within 30 days	561	5,051
31 to 90 days	454	–
Over 90 days	9,133	7,332
	10,148	12,383

25. ACCRUALS AND OTHER PAYABLES

	2025 RMB'000	2025 RMB'000
Other payables for property, plant and equipment	100	100
Accruals and other payables (<i>note</i>)	63,992	61,241
	64,092	61,341

Note:

All accruals and other payables are expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

26. LEASE LIABILITIES

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	-	2
Within a period of more than one year but not exceeding two years	-	2
Within a period of more than two years but not exceeding five years	-	8
Over five years	-	89
	-	101
Less: Amount due for settlement with 12 months shown under current liabilities	-	(2)
Amount due for settlement after 12 months shown under non-current liabilities	-	99

No cash outflow for lease payment during the years ended 31 December 2025 and 2024 was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

27. DEFERRED REVENUE

	2025 RMB'000	2024 RMB'000
Arising from government grant <i>(note)</i>	152	177

Analysed for reporting purposes as:

	2025 RMB'000	2024 RMB'000
Non-current liabilities	127	152
Current liabilities	25	25
	152	177

Note:

As at the end of each reporting period, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.

28. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK\$'000	RMB'000
Authorised:			
Balances as at 1 January 2024,			
31 December 2024, 1 January 2025 and			
31 December 2025 of HK\$0.01 each	1,500,000,000	15,000	11,810
Issued and fully paid:			
Balances as at 1 January 2024 of HK\$0.01 each	880,838,000	8,808	7,308
Issue of shares <i>(note)</i>	42,000,000	420	390
Balance as at 31 December 2024,			
1 January 2025 and 31 December 2025			
of HK\$0.01 each	922,838,000	9,228	7,698

Note: The Company completed the subscription of new shares on 17 June 2024. For this subscription, the Company issued 42,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.053 per share. Accordingly, amount of approximately RMB390,000 are credited to share capital and the remaining (net of share issuance costs) of approximately RMB1,681,000 are credited to share premium.

29. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 11 February 2014 (the “2014 Share Option Scheme”) was terminated with effect from 30 June 2023 and no more share option may be granted under the 2014 Share Option Scheme. All outstanding share options under the 2014 Share Option Scheme would continue to be valid and exercisable in accordance with the principal terms of the 2014 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 30 June 2023 (the “2023 Share Option Scheme”). The purpose of the 2023 Share Option Scheme is to provide incentives or rewards to selected eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers and customers of the Company or any of its subsidiaries) for their contribution to the Group. The 2023 Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of which the 2023 Share Option Scheme is adopted.

The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

A grant of share options under the 2023 Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the Company in general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the 2023 Share Option Scheme.

The exercise price of the share options shall be not less than the highest of (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

On 28 July 2021, the Company granted a total of 88,080,000 options with the rights to subscribe 88,080,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the 2014 Share Option Scheme. The closing price per share immediately before the grant of options on 28 July 2021 was HK\$0.083. A total of 88,080,000 options were granted to the employees and consultants of the Company respectively, at an exercise price of HK\$0.083 each (all the new options granted have no vesting period or vesting condition).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

29. SHARE OPTION SCHEME (Continued)

Neither share options were granted nor exercised during the years ended 31 December 2025 and 2024.

The total number of securities available for issue under the 2023 Share Option Scheme as at 31 December 2024 was 88,083,800 shares which represented approximately 10.0% of the issued share capital of the Company.

Details of such interests and movement of options granted by the Company are shown below:

Name of category of participants	Number of share option				Date of grant of share options (dd/mm/yyyy)	Exercise period of share options (dd/mm/yyyy)	Exercise price of share options	Price of Company's share at grant date of share options
	At 1 January 2024	Lapsed during the year	Granted during the year	At 31 December 2024				
Other eligible participants								
Employees	44,040,000	(44,040,000)	-	-	28/07/2021	28/07/2021 to 27/07/2024	HK\$0.083	HK\$0.083
Sub-total	44,040,000	(44,040,000)	-	-				
Consultants	44,040,000	(44,040,000)	-	-	28/07/2021	28/07/2021 to 27/07/2024	HK\$0.083	HK\$0.083
Sub-total	44,040,000	(44,040,000)	-	-				
Total:	88,080,000	(88,080,000)	-	-				
Weighted average exercise price (HK\$)	0.083			-				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

29. SHARE OPTION SCHEME (Continued)

As the fair value of services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

The fair value of the share options is determined using the Binominal Model. The Binominal Model taking into account the terms and conditions upon which the options were granted. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

Dividend yield (%)	0.00%
Expected volatility (%)	69.49%
Risk free interest rate (%)	0.22%
Expected life of options (year)	3
Stock price (HK\$ per share)	0.083
Fair value at measurement date (HK\$ each option)	0.03

No expense was recognised by the Group for the year ended 31 December 2025 and 2024 in relation to share options granted by the Company.

No share option was issued by 2023 Share Option Scheme for the year ended 31 December 2025 and 2024.

At the end of reporting period of 2023, the Company had 88,080,000 share options outstanding under the 2014 Share Option Scheme. Assuming that the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 88,080,000 additional ordinary shares of the Company and additional share capital of HK\$880,800 during the year ended 31 December 2023.

The 2014 Share Option Scheme expired on 27 July 2024. During the year ended 31 December 2024, 88,080,000 share options were lapsed and no share options were exercised and cancelled. During the period from 1 January 2024 to 27 July 2024, no share options were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2025 RMB'000	2024 RMB'000
Non-current asset			
Investment in subsidiaries		—*	—*
Current assets			
Financial assets at fair value through profit or loss		4,401	5,379
Other receivables and prepayments		1,089	995
Amounts due from subsidiaries		141	308
Bank balances and cash		110	124
		5,741	6,806
Current liabilities			
Accruals and other payables		37,899	39,246
Net current liabilities		37,899	(32,440)
Total assets less current liabilities		(32,158)	(32,440)
Net liabilities		(32,158)	(32,440)
Equity			
Share capital	28	7,698	7,698
Reserves	31	(39,856)	(40,138)
Total deficit		(32,158)	(32,440)

* The amount represents less than RMB1,000

The financial statement was approved and authorised for issue by the board of directors of the Company on 31 March 2026 and are signed on its behalf by:

Zhang Zhenghua
Director

Xiang Yuan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

31. RESERVES OF THE COMPANY

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2024	445,247	2,416	23,762	(511,737)	(40,312)
Loss and total comprehensive expense for the year	-	-	(977)	(530)	(1,507)
Issue of shares	1,681	-	-	-	1,681
Lapsed of share options	-	(2,416)	-	2,416	-
As at 31 December 2024 and 1 January 2025	446,928	-	22,785	(509,851)	(40,138)
Loss and total comprehensive expense for the year	-	-	1,331	(1,049)	282
As at 31 December 2025	446,928	-	24,116	(510,900)	(39,856)

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years ended 31 December 2025 and 2024.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital, reserves and retained earnings as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends, injection of capital as well as making new borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

32. CAPITAL RISK MANAGEMENT (Continued)

The following is the gearing ratio at the end of each reporting period:

	2025 RMB'000	2024 RMB'000
Total borrowings (note (a))	–	–
Total equity attributable to the owners of the Company (note (b))	382,591	397,040
Gearing ratio	N/A	N/A

Notes:

- (a) Total borrowings represent borrowings.
- (b) Total equity attributable to the owners of the Company includes all share capital and reserves at the end of each reporting period.

33. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (2024: HK\$1,500) and they can choose to make additional contributions. Employers’ monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (2024: HK\$1,500) (the “mandatory contributions”). Employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries and an associate in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

There were no forfeited contributions utilised to offset employers’ contributions for the year. And at the end of the reporting period, there was no forfeited contribution available to reduce the contributions payable in the future years.

The total costs charged to profit or loss of approximately RMB95,000 (2024: approximately RMB74,000) represents contributions paid or payable to these schemes by the Group in respect of the current accounting period.

34. MATERIAL RELATED PARTY TRANSACTIONS

Disclosed elsewhere in the consolidated financial statements, the Group had entered into transactions with related parties which in the opinion of directors were carried out on normal commercial terms and in the ordinary course of the Group’s business, as shown below:

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the years ended 31 December 2025 and 2024 is set out in Note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

35. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 and 2024 are as follows:

Name of subsidiary	Country of incorporation/ registration	Principal place of business and date of incorporation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				2025		2024		
				Direct %	Indirect %	Direct %	Indirect %	
Quick Choice Holdings Limited	BVI	Hong Kong, 8 June 2016	Ordinary share US\$1	100	-	100	-	Investment holding
Huisheng Enterprise Holdings Limited	BVI	Hong Kong, 19 August 2016	Ordinary share US\$1	100	-	100	-	Investment holding
Fully Everfield Limited	BVI	Hong Kong, 16 December 2016	Ordinary share US\$1	100	-	100	-	Investment holding
Hongkong Huisheng Meat Food Limited	Hong Kong	Hong Kong, 14 March 2006	Ordinary shares HK\$5,000,000	-	100	-	100	Investment holding
Excellence Circle Limited	Hong Kong	Hong Kong, 3 June 2016	Ordinary share HK\$41,198,841	-	100	-	100	Inactive
Huisheng Enterprise (Hong Kong) Limited	Hong Kong	Hong Kong, 6 September 2016	Ordinary share HK\$1	-	100	-	100	Money lending business
Hong Kong Huisheng Meat Food Trading Limited	Hong Kong	Hong Kong, 2 June 2021	Ordinary share HK\$100	-	100	-	100	Inactive
Profitable Management Limited	Hong Kong	Hong Kong, 22 July 2016	Ordinary share HK\$1	-	100	-	100	Provision of administrative services
Hunan Huisheng* (note (a))	The PRC	The PRC, 18 December 2007	Registered capital RMB136,700,000	-	100	-	100	Breeding and slaughtering of hogs and sale of pork products
Linli Huisheng Meat Products Company Limited* (note (b))	The PRC	The PRC, 19 August 2013	Registered capital RMB12,000,000	-	100	-	100	Investment holding
Linli Huisheng Ecological Hog Breeding Company Limited* (Linli Huisheng Hog Breeding) (note (b))	The PRC	The PRC, 17 September 2013	Registered capital RMB16,000,000 (note (c))	-	91.9	-	91.9	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Taoyuan County Huisheng Meat Products Company Limited* (note (b))	The PRC	The PRC, 18 September 2014	Registered capital RMB15,000,000	-	100	-	100	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
Changde Xihu District Huisheng Meat Company Limited* (note (b))	The PRC	The PRC, 22 December 2022	Registered capital RMB10,000,000	-	60	-	60	Breeding, farming and sale of piglets and porkers and provision of consultancy service in hog breeding and farming
株式会社Deson Japan	Japan	Japan, 1 July 2010	Registered capital JPY10,000,000	-	70	-	70	Selling and distributing of pipe system products, conducting in the provision of technical advisory services on the design, application, implementation and installation

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HUSHENG INTERNATIONAL HOLDINGS LIMITED

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

35. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

- (a) This subsidiary is wholly foreign owned enterprise in the PRC.
- (b) These subsidiaries are domestic enterprise with limited liabilities established in the PRC.

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

36. EVENTS AFTER THE REPORTING PERIOD

No material subsequent event undertaken by the Company or by the Group after 31 December 2025 and up to the date of this report.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2026.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2025

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report, is set out below:

RESULTS

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	209,572	44,279	68,297	72,947	81,291
Cost of sales	(207,002)	(43,737)	(68,159)	(71,106)	(78,689)
Gross profit/(loss)	2,570	542	138	1,841	2,602
Other income	3,345	5,495	10,399	11,362	9,131
Other gain or loss, net	(125)	–	(270)	(3,494)	(16,724)
Loss arising from change in fair value less costs to sell of biological assets	–	–	–	–	(12,103)
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss	(778)	688	(701)	292	776
Impairment loss of property, plant and equipment	–	–	(59,869)	–	(6,898)
Write-off of property, plant and equipment	–	(18,006)	(57,414)	–	–
Impairment loss of investment property	–	–	–	–	–
(Allowance for)/reversal of expected credit losses, net	(12,478)	(393)	(24,487)	484	11,550
Selling and distribution expenses	(240)	(46)	(53)	(81)	(87)
Administrative expenses	(7,688)	(12,489)	(14,678)	(19,361)	(19,351)
Finance costs	–	(5)	–	–	(779)
Loss before taxation	(15,394)	(24,214)	(146,935)	(8,957)	(31,883)
Taxation	–	–	(3,347)	–	–
Loss for the year	(15,394)	(24,214)	(150,282)	(8,957)	(31,883)
Loss for the year attributable to:					
Owners of the Company	(15,556)	(24,520)	(144,372)	(5,645)	(31,771)
Non-controlling interests	162	306	(5,910)	(3,312)	(112)
	(15,394)	(24,214)	(150,282)	(8,957)	(31,883)

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HUSHENG INTERNATIONAL HOLDINGS LIMITED

FIVE YEARS FINANCIAL SUMMARY (CONTINUED)

For the year ended 31 December 2025

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report, is set out below: (Continued)

ASSETS AND LIABILITIES

	2025 RMB'000	As at 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	453,211	467,706	487,477	651,512	658,717
Total liabilities	(74,392)	(74,002)	(70,789)	(90,535)	(84,581)
Total equity	378,819	393,704	416,688	560,977	574,136