

KELFRED

HOLDINGS LIMITED
恒發光學控股有限公司

Incorporated in the
Cayman Islands with limited liability

Stock code: 1134

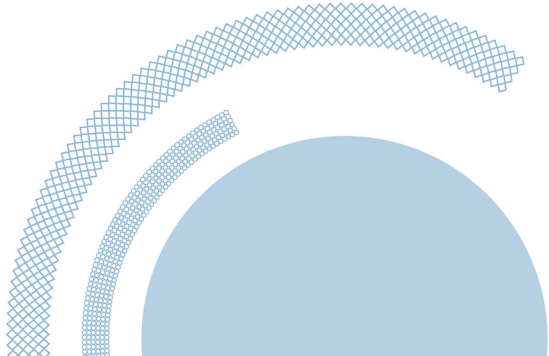


Annual Report **2025**



CONTENTS

2	Corporate Information
3	Chairman's Statement
4	Five-Year Financial Summary
5	Management Discussion and Analysis
12	Biography of Directors and Senior Management
16	Corporate Governance Report
29	Report of the Directors
50	Independent Auditor's Report
54	Consolidated Statement of Profit or Loss
55	Consolidated Statement of Profit or Loss and Other Comprehensive Income
56	Consolidated Statement of Financial Position
58	Consolidated Statement of Changes in Equity
59	Consolidated Statement of Cash Flows
61	Notes to the Consolidated Financial Statements



Executive Directors

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Kwok Kwan Yu (*Chief executive officer*)

Non-Executive Directors

Mr. Kwok Mau Kwan
Ms. Chan Yin Wah

Independent Non-Executive Directors

Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

Company Secretary

Mr. Choi Chun Wai (*appointed on 1 January 2025*)
Ms. Leong Kai Weng Subrina
(*resigned on 1 January 2025*)

Authorised Representatives

Mr. Kwok Kwan Fai
Mr. Choi Chun Wai (*appointed on 1 January 2025*)
Ms. Leong Kai Weng Subrina
(*resigned on 1 January 2025*)

Audit Committee

Mr. Chu Kin Ming (*Chairman*)
Mr. Hong Sze Lung
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

Remuneration Committee

Mr. Leung Ka Tin (*Chairman*)
(*appointed on 1 January 2025*)
Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Kwok Kwan Fai
Mr. Chan Hon Wah
(*former Chairman resigned on 1 January 2025*)

Nomination Committee

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

Risk Management Committee

Mr. Hong Sze Lung (*Chairman*)
Mr. Chu Kin Ming
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

Registered Office

Windward 3, Regatta Office Park,
P.O. Box 1350, Grand Cayman KY1-1108,
Cayman Islands

Auditor

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest Equity Auditor
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon
Hong Kong

Headquarters and Principal Place of Business in Hong Kong

Workshops 1605-1606, 16/F., Block B
New Trade Plaza
6 On Ping Street
Sha Tin, New Territories
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park,
P.O. Box 1350, Grand Cayman KY1-1108,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Legal Advisers

As to Hong Kong law:
Jeffrey Mak Law Firm

Principal Banks

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Company Website

www.kelfred.com.hk

Stock Code

1134

To all shareholders,

On behalf of the board of directors (the “**Board**”) of Kelfred Holdings Limited (the “**Company**”), I am pleased to present the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025.

The year 2025 continued to be a challenging year for the global eyewear market. The market was driven by increasing demand for fashion, but the economic landscape remained unfavorable mainly due to escalating conflicts and geopolitical tensions. With the increasing sales orders and efforts of cost control, the Group recorded a reduction in the net loss from HK\$21.6 million to HK\$15.2 million in 2025.

In order to navigate the difficult economic environment, the Group will continue to strengthen cost control measures and strive for more sales orders from the customers by providing quality eyewear products. The Group also constantly aims to increase its competitiveness through enhancing the production capacity and product design. A new production base in Thailand will be set up and more innovative product design will be created to make our business more resilient and enable the Group to better prepare for the growth now and in the future.

Looking ahead, the Group remains prudent and optimistic about the prospects of its business in short run. The Group will follow a cautious approach to ensure continuous, steady and effective business and operation development in 2026 for safeguarding the shareholders’ interests. The Group will also continue to seek new business possibilities in order to achieve better business diversification.

On behalf of the Board, I would like to express my greatest appreciation to all our shareholders, customers, suppliers and business partners for their invaluable support, as well as to our management team and staff for their dedication and commitment throughout this challenging year.

Kwok Kwan Fai
Chairman

Hong Kong, 25 March 2026

FIVE-YEAR FINANCIAL SUMMARY

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 financial statements of the Company is set out below.

RESULTS

Year ended 31 December

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
Revenue	434,732	465,430	393,284	453,581	500,253
Cost of sales	(366,290)	(389,413)	(336,305)	(408,916)	(440,943)
Gross profit	68,442	76,017	56,979	44,665	59,310
Interest revenue	26	25	25	17	9
Other incomes, gains and losses	5,328	13,136	24,102	12,801	6,350
Reversal of impairment losses/(Impairment losses) of trade receivables, net	(189)	433	110	(113)	581
Selling and distribution expenses	(13,762)	(14,615)	(17,115)	(14,839)	(16,885)
Administrative and other operating expenses	(60,924)	(63,630)	(60,245)	(61,988)	(60,458)
(Loss)/profit from operations	(1,079)	11,366	3,856	(19,457)	(11,093)
Finance costs	(508)	(740)	(1,678)	(1,980)	(2,642)
Gain on partial disposal of subsidiaries	–	58	–	–	–
Gain on disposal of associates	–	–	–*	–	–
Share of losses of associates	–	(3)	–*	–	–
(Loss)/profit before tax	(1,587)	10,681	2,178	(21,437)	(13,735)
Income tax expense	(553)	(1,498)	(790)	(195)	(1,431)
(Loss)/profit for the year	(2,140)	9,183	1,388	(21,632)	(15,166)
Attributable to:					
<i>Owners of the Company</i>	(2,140)	9,183	1,388	(21,632)	(15,119)
<i>Non-controlling interests</i>	–	–	–	–	(47)
	(2,140)	9,183	1,388	(21,632)	(15,166)

ASSETS AND LIABILITIES

As at 31 December

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
Total assets	268,132	251,896	264,004	282,928	282,828
Total liabilities	(81,800)	(65,324)	(80,813)	(126,494)	(134,353)
	186,332	186,572	183,191	156,434	148,475

* Represent amount less than HK\$1,000.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2025, the Group recorded a revenue of approximately HK\$500.3 million, representing an increase of approximately 10.3% as compared to the year ended 31 December 2024, generated from sales of eyewear products.

The Group is an established eyewear manufacturer in the PRC and Hong Kong that produces and sells a wide range of spectacle frames and sunglasses mainly through original design manufacturing (“**ODM**”) and original equipment manufacturing (“**OEM**”) business models. It offers integrated and customised services which include product design and development, raw materials procurement, production, quality control, packaging and delivery. In addition to the traditional OEM and ODM business models, the Group also offers its original brand manufacturing (“**OBM**”) products under the brand name “Miga”.

Leveraging over 30 years of experience in the eyewear industry, the Group prides itself on its broad network of renowned and trusted customers worldwide (who are primarily international eyewear retailers, trading companies and licensed brand owners). It has produced quality eyewear products under its customers’ designated brand names and sold the same to different countries in the past few years, among which Europe accounted for the largest market of the Group.

The first major production base of the Group was established in Shenzhen, PRC in 2013 and the second and self-owned production base in Jiangxi, PRC was set up in 2016. The third production base in Thailand is expected to be set up in 2026.

In 2025, the Group continued to encounter significant challenges in the European market. The economic pressures in Europe had been defined by low economic growth due to heightened trade tensions and geopolitical instability. However, the capture of increasing demand for fashion in the eyewear market resulted in a 32.7% increase in the Group’s gross profit and a reduction in net loss.

Looking ahead to 2026, the Group anticipates conservatively a sluggish economic growth in Europe. Uncertainties related to global trade frictions, macroeconomic fragmentation, geopolitical tensions and fiscal policy continue to cast a shadow of uncertainty over the market. However, the Group is committed to overcoming these obstacles and positioning ourselves for a gradual recovery in 2026.

Moving forward, the Group remains vigilant in monitoring market trends, consumer behavior and regulatory developments. The Group will adapt the business strategies accordingly to seize emerging opportunities and mitigate potential risks. The Group recognizes the importance of sustainability and will continue to integrate this principle into its business practices. Besides, the Group will continue to implement cost saving measures, streamline our operations, optimize our supply chain and create more innovative designs to improve our financial performance.

While the eyewear business will continue to remain as the Group’s core business, the management is continuously exploring potential opportunities to achieve diversification in the business and income streams of the Group and mitigate the impact of any potential risks and uncertainties.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2025, the Group's revenue increased to approximately HK\$500.3 million by approximately HK\$46.7 million or 10.3% as compared to approximately HK\$453.6 million for the year ended 31 December 2024. The increase was mainly attributable to the overall increase in the exported sales volume of spectacle frames and sunglasses, driven by higher sales orders, offset by the decline in average selling price of eyewear products.

Cost of sales

The cost of sales of the Group increased by approximately HK\$32.0 million or 7.8%, from approximately HK\$408.9 million for the year ended 31 December 2024 to approximately HK\$440.9 million for the year ended 31 December 2025. Such increase was mainly attributable to the increase in sales volume, offset by the implementation of cost saving measures.

Gross profit and gross profit margin

Gross profit increased to approximately HK\$59.3 million for the year ended 31 December 2025, by approximately HK\$14.6 million, or 32.7%, from approximately HK\$44.7 million for the year ended 31 December 2024. The overall gross profit margin improved from approximately 9.8% for the year ended 31 December 2024 to 11.9% for the year ended 31 December 2025. The significant increase in gross profit and gross profit margin was mainly attributable to the increase in sales orders and the implementation of cost saving measures.

Other incomes, gains and losses

Other incomes, gains and losses decreased by approximately HK\$6.4 million from approximately HK\$12.8 million for the year ended 31 December 2024 to approximately HK\$6.4 million for the year ended 31 December 2025. The decrease was mainly attributable to the exchange losses resulting from the appreciation of Renminbi ("RMB") against Hong Kong dollars ("HKD") during the year ended 31 December 2025, in contrast with the exchange gains resulting from the depreciation of RMB in the previous year.

Reversal of impairment losses/(impairment loss) of trade receivables, net

The Group has recorded reversal of impairment loss for trade receivables of approximately HK\$0.6 million for the year ended 31 December 2025, based on the expected credit loss as at 31 December 2025 calculated using the simplified approach, by reference to the expected credit loss rates which took into account the historical credit loss experience, current economic conditions and forward-looking information. The Group recognised an impairment loss for the year ended 31 December 2024 of approximately HK\$0.1 million.

Selling and distribution expenses

Selling and distribution expenses increased from approximately HK\$14.8 million for the year ended 31 December 2024 to approximately HK\$16.9 million for the year ended 31 December 2025, by approximately HK\$2.1 million or 14.2%. Such increase was mainly attributable to the increase in advertising and promotion expenses of approximately HK\$3.7 million, offset by the decrease in sampling expenses of approximately HK\$1.6 million.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately HK\$1.5 million or 2.4%, from approximately HK\$62.0 million for the year ended 31 December 2024 to approximately HK\$60.5 million for the year ended 31 December 2025, mainly due to the decrease in staff costs of approximately HK\$2.0 million.

Finance costs

The Group's finance costs increased by approximately HK\$0.6 million or 30.0%, to approximately HK\$2.6 million for the year ended 31 December 2025 as compared to approximately HK\$2.0 million for the year ended 31 December 2024. The increase was mainly due to more utilisation of factoring of trade receivables of the Group with certain designated customers as compared to the previous year.

Income tax expense

The Group's income tax expense increased from approximately HK\$0.2 million for the year ended 31 December 2024 to approximately HK\$1.4 million for the year ended 31 December 2025, mainly due to the increase in assessable profits of certain entities within the Group.

Loss for the year

As a result of the foregoing, the Group recorded a reduction in the net loss by approximately HK\$6.4 million or 29.6%, from approximately HK\$21.6 million for the previous year, to approximately HK\$15.2 million for the year ended 31 December 2025, mainly due to the improvement in gross profit generated from increase in sales orders and the implementation of cost saving measures during the year ended 31 December 2025, offset by the exchange losses resulting from the appreciation of RMB against HKD during the year ended 31 December 2025, in contrast with the exchange gains resulting from the depreciation of RMB in the previous year.

The Group recorded a loss for the year ended 31 December 2025. The management concluded that there was an impairment indication and therefore conducted a review of the recoverable amount of property, plant and equipment (together with deposits paid for property, plant and equipment) and right-of-use assets as at 31 December 2025.

For the purpose of impairment assessment, property, plant and equipment (together with deposits paid for property, plant and equipment) and right-of-use assets were allocated to the Group's cash generating unit of sales of eyewear products business (the "CGU"), the Group's single operating segment, since the management considered that it is not possible to estimate their recoverable amounts individually.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows included budgeted revenue, gross profit margin and growth rate during the forecast period and such estimation was based on the Group's historical performance and future market trend.

Based on the result of the assessment, the management determined that the recoverable amount of the CGU was higher than the carrying amount and therefore no impairment loss was recognised for the year ended 31 December 2025.

FINANCIAL POSITION

As at 31 December 2025, the Group's total assets amounted to approximately HK\$282.8 million (2024: HK\$282.9 million) with net assets amounting to approximately HK\$148.5 million (2024: HK\$156.4 million). As at 31 December 2025, gearing ratio (total debts divided by the total equity) of the Group was approximately 5.7% (2024: 8.0%). Net debt to equity ratio (net debt, being its total debts net of bank and cash balances and pledged bank deposits, divided by total equity) of the Group was not applicable due to a net cash position of the Group as at 31 December 2025 and 2024. As at 31 December 2025, current ratio of the Group was approximately 1.9 times (2024: 2.0 times). As at 31 December 2025, quick ratio of the Group was approximately 1.3 times (2024: 1.3 times).

During the year ended 31 December 2025, the net assets declined while other financial ratios remained stable or enhanced, mainly due to the improvement of the Group's operating result, notwithstanding the net loss.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a balanced approach to cash and financial management to ensure proper risk control, the lowering of costs of funds and to maintain an optimal level of liquidity that can meet its working capital needs and sustain the business at a healthy level, and implement various growth strategies. The Group finances its operations and growth primarily through cash generated from operations, bank loans and finance lease arrangements.

As at 31 December 2025, the Group had bank and cash balances of approximately HK\$48.0 million, an increase of approximately HK\$20.2 million as compared to approximately HK\$27.8 million as at 31 December 2024, mainly attributable to the net cash generated from operating activities, offset by the purchase of property, plant and equipment and lease payments.

TREASURY POLICIES

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company (the "**Shareholders**") and benefits for other stakeholders by securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustment by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

INDEBTEDNESS

As at 31 December 2025, the Group's indebtedness comprised lease liabilities of approximately HK\$8.5 million, respectively. Its lease liabilities are denominated in HKD, RMB and Thai baht ("THB"). Interest rates for all leases are fixed on the contract dates and thus expose the Group to fair value interest rate risk.

The maturity of lease liabilities as at 31 December 2025 is as follows:

	Lease liabilities HK\$'000
Within one year	3,501
More than one year, but not exceeding two years	3,604
More than two years, but not more than five years	1,353
	<hr/>
	8,458

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operation, financial conditions, operational results or growth prospects are affected by a number of risks and uncertainties as outlined below. These factors are not exhaustive and there may be other principal risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Foreign Currency Risks

The Group has a certain exposure to foreign currency risk as a number of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as HKD, USD, EUR and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Financial risk

Financial risk factors include foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid financial risk factors and the respective risk management measures are elaborated in note 5 to the consolidated financial statements "Financial risk management" of this annual report.

Operational risk

The stable relationship with major customers enables the business to achieve stable revenue and profitability level. If the major customers significantly decrease its purchase quantity from the Group and we cannot identify new customers, the business and financial position may be adversely affected. Also, we operate the manufacturing process at the two production bases in Shenzhen and Jiangxi, the PRC, respectively. Any unexpected disruption to the production bases due to power or water supply failure, machinery breakdown or other factors may cause delay or temporary suspension of the production and may make us unable to deliver the products to customers on time, leading to potential loss of customer confidence and reputation.



MANAGEMENT DISCUSSION AND ANALYSIS

Market risk

As we rely on marketing and sales of products overseas, we are exposed to market risks including (i) global economic downturn in overseas markets which affect general consumer confidence; (ii) exchange rate fluctuation in foreign currencies; (iii) trade barriers; (iv) increased costs associated with understanding the overseas market trend and maintaining overseas marketing and sales activities; and (v) exposure to local economic, political, social and labour conditions in the overseas markets.

PLEDGE OF ASSETS

As at 31 December 2025, the Group did not have any pledge of assets.

CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitments of approximately HK\$0.7 million (2024: HK\$1.0 million) relating to property, plant and equipment which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

The Group values its employees and recognises the importance of a good relationship with them. The Group recruits its employees based on their work experience, education background and qualifications. To maintain and ensure the quality of its employees, the Group provide its personnel with formal and on-the-job training to enhance their technical skills as well as knowledge of the industry quality standards and work place safety standards. As at 31 December 2025, the Group had a total of 752 employees of which 735 were in the PRC and 17 were in Hong Kong. The remuneration to employees includes salaries and allowances. Share options may also be granted to eligible employees as incentivization for the long-term growth and development of the Group. Employees are remunerated according to their qualifications, experiences, job nature, performance and with reference to market conditions.

The Group's total employee benefit expenses (including Directors' emoluments) for the years ended 31 December 2025 and 2024 were approximately HK\$107.1 million and HK\$129.3 million, respectively.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2025.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2025.

EVENTS AFTER THE REPORTING PERIOD

On 5 January 2026 and 22 January 2026, the Group obtained new bank loans of RMB5,000,000 and RMB9,950,000 which are repayable on 3 January 2027 and 20 January 2027 respectively. These borrowings are secured by certain leasehold land and buildings of the Group with a carrying value of HK\$10,635,000 as at 31 December 2025 and guaranteed by the corporate guarantee of a PRC subsidiary. The bank loans were used to provide the working capital of the Group.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Kwok Kwan Fai (郭君暉) (“Mr. Joe Kwok”), aged 52, is an executive Director and the Chairman of the Board. Mr. Joe Kwok joined the Group in April 1998 and worked for the Group for over 27 years and has over 27 years of experience in trading, manufacturing and design of eyewear products. He is primarily responsible for formulating overall business development strategies, overall management and administration and making major business decisions of the Group.

Mr. Joe Kwok obtained his Bachelor’s degree in Business (Accounting) from Monash University in August 1995. Prior to joining the Group, Mr. Joe Kwok worked as an audit trainee in K. L. Wong & Co., which was an accounting firm, from June 1995 to June 1996 and was employed by Manulife (International) Limited from March 1996 to December 1997 as an agent and his last position was unit manager.

Mr. Joe Kwok has been holding directorship in certain subsidiaries of the Company. Mr. Joe Kwok is a director of Conquer Holding Limited (a company which is interested in 54.19% shareholding interest of the Company as at the date of this annual report).

Mr. Joe Kwok is the son of Mr. Kwok and Mrs. Kwok, who are non-executive Directors of the Company, and is the brother of Mr. Ken Kwok, who is an executive Director and the chief executive officer of the Company.

Mr. Kwok Kwan Yu (郭君宇) (“Mr. Ken Kwok”), aged 48, is an executive director and the chief executive officer of the Company. Mr. Ken Kwok joined the Group in December 1999 and worked for the Group for over 26 years and has over 26 years of experience in trading, manufacturing and design of eyewear products. He is primarily responsible for making major operation decisions for the Group and supervising business administration of the Group.

Mr. Ken Kwok completed his secondary education in Hong Kong in July 1995. Mr. Ken Kwok has been holding directorship in certain subsidiaries of the Company. Mr. Ken Kwok is a director of Conquer Holding Limited (a company which is interested in 54.19% shareholding interest of the Company as at the date of this annual report).

Mr. Ken Kwok is the son of Mr. Kwok and Mrs. Kwok, who are non-executive Directors of the Company, and is the brother of Mr. Joe Kwok, who is an executive Director and the Chairman of the Board.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Kwok Mau Kwan (郭茂群) (“Mr. Kwok”), aged 82, is a non-executive Director of the Company. Mr. Kwok co-founded the Group with an independent third party in April 1986. He worked for the Group for over 39 years and has over 39 years of experience in trading, manufacturing and design of eye wear products and is currently the honorary chairman of Jiangxi Yingtan Optical Industry Association (江西鷹潭眼鏡行業協會) and a committee member of the First Chinese People’s Political Consultative Conference of Yujiang District, Yingtan (政協鷹潭市余江區第一屆委員會會員). He is primarily responsible for participating in formulating the corporate and business strategies of the Group. Mr. Kwok completed his secondary education in the PRC in June 1962.

Mr. Kwok is the spouse of Mrs. Kwok, a non-executive Director of the Company, father of Mr. Joe Kwok and Mr. Ken Kwok, both being the executive Directors of the Company.

Ms. Chan Yin Wah (陳燕華) (“Mrs. Kwok”), aged 73, is a non-executive Director of the Company. She joined the Group in August 1987 and worked for the Group for over 38 years and has over 38 years of experience in trading, manufacturing and design of eye wear products. She is primarily responsible for participating in formulating the corporate and business strategies of the Group. Mrs. Kwok completed her secondary education in Hong Kong in July 1967.

Mrs. Kwok is the spouse of Mr. Kwok, a non-executive Director of the Company, mother of Mr. Joe Kwok and Mr. Ken Kwok, both being the executive Directors of the Company.

Independent Non-executive Directors

Mr. Chu Kin Ming (朱健明) (“Mr. Chu”), aged 45, was appointed as an independent non-executive Director of the Company on 22 June 2019 and has been serving the Group for over 6 years. He is the chairman of the audit committee of the Company, and a member of the remuneration committee, nomination committee and risk management committee of the Company. Mr. Chu is currently an independent non-executive director of Optima Automobile Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8418) since October 2019 and an independent non-executive director of Dimmi Life Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1667) since December 2020. Mr. Chu was an independent non-executive director of SK Target Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8427) from June 2017 to November 2023, an independent non-executive director of Ficus Technology Holdings Limited (formerly known as Vision International Holdings Limited), a company listed on GEM Board of the Stock Exchange (stock code: 8107) from September 2023 to July 2024 and an independent non-executive director of Century Energy International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8132) from February 2020 to September 2024. Currently, Mr. Chu is the company secretary of Sino-life Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8296) since June 2019 and Future World Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 572) since April 2024.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chu has more than 22 years working experience in the accounting and company secretary field. Mr. Chu served as a chief financial officer and company secretary of companies listed on the Stock Exchange.

Mr. Chu was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2008. He was admitted to graduateship of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (previously known as the Institute of Chartered Secretaries and Administrators). He is also a member of the Chartered Institute of Management Administrators.

Mr. Chu obtained a master's degree in Executive Master of Business Administration in The Chinese University of Hong Kong in 2022 and a bachelor's degree in accountancy from the Hong Kong Polytechnic University.

Mr. Hong Sze Lung (康仕龍) (“Mr. Hong”), aged 54, was appointed as an independent non-executive Director of the Company on 1 September 2020 and has been serving the Group for over 5 years. Mr. Hong has over 29 years of working experience and extensive knowledge in the fields of auditing, corporate finance, corporate recovery, investments as well as corporate investor relations in Hong Kong and Mainland China.

Mr. Hong commenced his career in PricewaterhouseCoopers and worked in the firm for approximately 10 years in the field of auditing, corporate finance & recovery until he left the firm in November 2005 as a senior manager. For the period from March 2006 to October 2011, Mr. Hong then served at senior management level respectively in a private equity investment company (as Senior Vice President) as well as two companies listed on the Main Board of the Stock Exchange, being Soundwill Holdings Limited (stock code: 0878) and Silver Base Group Holdings Limited (previous stock code: 0886), both as Corporate Finance Director. For the period from September 2012 to December 2016, Mr. Hong worked in Wealth Glory Holdings Limited (stock code: 8269), a company listed on the GEM of the Stock Exchange, as Chief Operation Officer and subsequently promoted to Executive Director, Chief Executive Officer and Chairman.

Mr. Hong is currently an independent non-executive director of Ocean Star Technology Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8297) since August 2025. Mr. Hong was an independent non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0444) since July 2023 and redesignated to an executive director since February 2026.

Mr. Hong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and a chartered financial analyst of the CFA Institute. In 1995, Mr. Hong obtained a Bachelor of Arts (Hons) Degree in Accountancy from the Hong Kong Polytechnic University.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Ka Tin (梁家鈿) (“Mr. Leung”), aged 72, was appointed as an independent non-executive Director of the Company on 1 January 2025. He is the chairman of the remuneration committee of the Company, and a member of the audit committee, nomination committee and risk management committee of the Company. Mr. Leung has over 37 years of experience in banking, treasury operation, project finance, telecommunication, corporate finance, logistics, manufacturing and human resources management. Mr. Leung holds a Diploma in Management Studies.

Mr. Leung was a member of the senior management teams in various financial institutions, including FPB Asia Limited, Nedcor (Asia) Limited, BfG: Finance Asia Limited, and Delta Asia Financial Group, as well as of companies in the logistics and telecommunication sectors, including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung’s extensive experience covers both professional management and entrepreneurship. From March 2010 to February 2012, Mr. Leung worked as a Project Director for SSC Mandarin Group Limited, a corporate financial advisory firm. From January 2012 to May 2013, Mr. Leung was a consultant for Chun On Management Limited, and in September 2012 became a consultant for Galaxy Master Fund SPC.

Mr. Leung is currently an independent non-executive director of Gilston Group Limited (formerly known as China Apex Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2011) since February 2016. Mr. Leung worked as an independent non-executive director for a number of companies listed on the Stock Exchange: Narnia (Hong Kong) Group Company Limited (stock code: 8607) from January 2019 to September 2019; Rentian Technology Holdings Limited (stock code: 885) from May 2019 to March 2020; Evershine Group Holdings Limited (stock code: 8022) from January 2021 to March 2021; PanAsialum Holdings Company Limited (stock code: 2078) from February 2017 to March 2023 and Ruixin International Holdings Limited (stock code: 724) from November 2022 to October 2024. Mr. Leung was also an executive director of National Agricultural Holdings Limited (stock code: 1236) from 4 October 2019 to 21 October 2019.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Choi Chun Wai (“Mr. Choi”) (蔡俊偉), joined the group in 2021 and was subsequently appointed as company secretary and Chief Financial Officer of the Group on 1 January 2025. He has over 15 years of experience in the fields of financial reporting and auditing.

Mr. Choi is a member of Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Choi obtained his Bachelor’s degree in business administration from The Chinese University of Hong Kong in 2010 and a Master’s degree in Corporate Governance from The Hong Kong Polytechnic University in 2020.

Prior to joining the Company, Mr. Choi served as financial controller in various private companies and worked at KPMG from 2010 to 2017.

Mr. Choi did not have any directorships in any listed company over the past three years and he does not have any relationship with any Director, substantial shareholder or controlling shareholder of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed in upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2025.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed in maintaining a high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions of the CG Code for the year ended 31 December 2025.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the year ended 31 December 2025.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company. The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

As at 31 December 2025 and up to the date of this report, there are two executive Directors, two non-executive Directors, and three independent non-executive Directors of the Company. The composition of the Board is as follows:

Executive Directors:

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Kwok Kwan Yu (*Chief Executive Officer*)

Non-Executive Directors:

Mr. Kwok Mau Kwan
Ms. Chan Yin Wah

Independent Non-Executive Directors:

Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

The biographical details of each of the Directors are set out in the section headed “Biography of Directors and Senior Management” of this annual report. Mr. Kwok, Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok are family members.

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

Save as disclosed, there was no financial, business, family or other material/relevant relationship among the Directors.

Chairman and Chief Executive

The roles of the chairman and the chief executive officer of the Company have been separated as required by code provision C.2.1 of the CG Code. For the year ended 31 December 2025, Mr. Joe Kwok has served as the chairman of Company and Mr. Ken Kwok has served as the chief executive officer of the Company. Mr. Joe Kwok and Mr. Ken Kwok are brothers.

The chairman provides leadership and governance for the Board so as to create the conditions for the effective performance of the Board as a whole and effective contribution by individual Director and to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The chief executive officer has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis.

The division of responsibilities between the chairman and the chief executive officer is defined and established in writing.

Board Meetings and Directors' Attendance Records

During the year ended 31 December 2025, the Company convened one annual general meeting and four Board meetings. The attendance of the above meetings by each Director is as follows:

Name of directors	Attendance/ Number of Board Meetings	Attendance/ Number of Annual General Meeting
Executive Directors		
Mr. Kwok Kwan Fai (<i>Chairman</i>)	4/4	1/1
Mr. Kwok Kwan Yu	4/4	1/1
Non-executive Directors		
Mr. Kwok Mau Kwan	4/4	1/1
Ms. Chan Yin Wah	4/4	1/1
Independent non-executive Directors		
Mr. Chu Kin Ming	3/4	1/1
Mr. Hong Sze Lung	4/4	1/1
Mr. Leung Ka Tin (<i>appointed on 1 January 2025</i>)	4/4	1/1
Mr. Chan Hon Wah (<i>resigned on 1 January 2025</i>)	0/0	0/0

Note: Attendance of the Directors appointed or resigned during the year were made by reference to the number of such meetings held during their respective tenures.

Independent Non-executive Directors

During the year ended 31 December 2025, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in Rule 3.13 of the Listing Rules.

Appointment and Re-election of Directors

Each of the executive Directors and non-executive Directors is engaged on a service agreement for a specific term of three years. Each of independent non-executive Directors is engaged on a letter of appointment for a specific term of one year.

The articles of association of the Company (the “**Articles of Association**”) provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

Each Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meeting of the Company under the Articles of Association of the Company.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

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

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

Board Independence

To ensure independent views and input are available to the Board, the Board has developed and maintained the following measures and mechanisms, including but not limited to:

- (i) at least one-third of Board members are independent non-executive Directors;
- (ii) every independent non-executive Director is appointed for a specific term and subject to retirement by rotation at least once every three years;
- (iii) no independent non-executive Director has served the Company for more than nine years;
- (iv) no independent non-executive Director holds more than six listed company directorships to make sure that each of independent non-executive Directors has sufficient time to make contributions to the Board;
- (v) every independent non-executive Director has made an annual confirmation of his independence to the Company;
- (vi) the Nomination Committee will assess the independence of a candidate for independent non-executive Director before appointment;
- (vii) no equity-based remuneration with performance-related elements will be granted to independent non-executive Directors; and
- (viii) the Directors may seek professional advice in appropriate circumstances at the Company's expenses.



CORPORATE GOVERNANCE REPORT

The Board has reviewed the implementation and effectiveness of relevant measures mechanisms during the year ended 31 December 2025.

Continuous Professional Development of Directors

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

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

During the year ended 31 December 2025, all Directors had complied with the code provision C.1.4 of the CG Code through attending training courses/briefing/seminars/conferences or reading materials relevant to the duties of Directors.

	Attending training courses/ briefing/seminars/ conference in relation to regulatory updates or industry	Reading materials relevant to the duties of Directors
Executive Directors		
Mr. Kwok Kwan Fai	✓	✓
Mr. Kwok Kwan Yu	✓	✓
Non-executive Directors		
Mr. Kwok Mau Kwan	✓	✓
Ms. Chan Yin Wah	✓	✓
Independent non-executive Directors		
Mr. Chu Kin Ming	✓	✓
Mr. Hong Sze Lung	✓	✓
Mr. Leung Ka Tin (<i>appointed on 1 January 2025</i>)	✓	✓
Mr. Chan Hon Wah (<i>resigned on 1 January 2025</i>)	N/A	N/A

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, for overseeing particular aspects of the Company's affairs on 22 June 2019. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The majority of the members of the Remuneration Committee, Audit Committee, Nomination Committee and Risk Management Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chu Kin Ming, Mr. Hong Sze Lung and Mr. Leung Ka Tin. Mr. Chu Kin Ming, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, assist the Board to fulfill its responsibility over the audit, and review and approve connected transactions and to advise the Board.

The Audit Committee is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. These include developing and reviewing the Company's policies and practice on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

During the year ended 31 December 2025, three Audit Committee meetings were held. It had reviewed and discussed the interim and annual financial statements, the interim results announcement and report, annual results announcement and report, the continuing connected transactions, the accounting principles and practices adopted by the Group and the effectiveness of the internal control of the Group and recommended the re-appointment of auditor to the Board.

The attendance records of the members of the Audit Committee are as follows:

Name of directors	Attendance/ Number of Meetings
Mr. Chu Kin Ming (<i>Chairman</i>)	3/3
Mr. Hong Sze Lung	3/3
Mr. Leung Ka Tin (<i>appointed on 1 January 2025</i>)	3/3
Mr. Chan Hon Wah (<i>resigned on 1 January 2025</i>)	0/0

The Company's annual results for the year ended 31 December 2025 have been reviewed by the Audit Committee.

Remuneration committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of four members, namely Mr. Leung Ka Tin, Mr. Chu Kin Ming and Mr. Hong Sze Lung, the independent non-executive Directors, and Mr. Joe Kwok, the chairman of the Board and an executive Director. Mr. Leung Ka Tin is the chairman of the committee. The majority of the Remuneration Committee members are independent non-executive Directors.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, review the performance of our Directors and to review and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2025, one meeting of the Remuneration Committee was held. It had reviewed the Company's remuneration policy, made recommendations to the Board on the structure and the remuneration package for Directors and senior management, and assessed the performance of the executive Directors. The attendance records of the members of the Remuneration Committee are as follows:

Name of directors	Attendance/ Number of Meetings
Mr. Leung Ka Tin (<i>Chairman</i>) (<i>appointed on 1 January 2025</i>)	1/1
Mr. Chu Kin Ming	1/1
Mr. Hong Sze Lung	1/1
Mr. Kwok Kwan Fai	1/1
Mr. Chan Hon Wah (<i>former Chairman resigned on 1 January 2025</i>)	0/0

The Remuneration Committee is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group's employees are periodically reviewed by the Remuneration Committee. The Remuneration Committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share awards and share options were recommended to be awarded by the Remuneration Committee during the year ended 31 December 2025.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2025 is as follows:

Remuneration band (in HK\$)	Number of individual
1,000,001 to 1,500,000	1

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements in this annual report.

Nomination committee

The Nomination Committee consists of four members, namely Mr. Chu Kin Ming, Mr. Hong Sze Lung and Mr. Leung Ka Tin, the independent non-executive Directors, and Mr. Joe Kwok, the chairman of the Board and executive Director. Mr. Joe Kwok is the chairman of the committee. The majority of the Nomination Committee members are independent non-executive Directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to review the structure, size and composition of the Board, assist the board in maintaining a board skills matrix, make recommendations to our Board regarding the appointment of Directors and Board succession.

The Board has adopted a board diversity policy on 22 June 2019 (the "**Board Diversity Policy**"). A summary of the Board Diversity Policy is set out below:

- The Board Diversity Policy aims to set out the approach to achieve diversity (gender diversity in particular) in the Company's Board.
- The Board Diversity Policy statement that the Company seeks to achieve the diversity of the Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. All Board appointments will be based on merit while taking into account diversity.
- The Company endeavours to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.
- The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption, if appropriate.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises seven Directors with two genders, six of whom are males and one of whom is female. The Group has also adopted a diversity policy of the employees (including the senior management). Such diversity is to be achieved through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. As at 31 December 2025, the male to female ratio in the employees of the Group (excluding the senior management) and the senior management of the Group were approximately 1.1:1 and 1:0 respectively. The Company considered the composition and the gender diversity of the Board and the employees is appropriate and balanced taking into account the nature of the industry and is appropriate for the management and business development of the Company.

The Company has not set any measurable objectives, numerical targets and timelines for achieving diversity of directors, senior management and other employees, except that the Board must comprise Directors of more than one gender from time to time for gender diversity. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board and the Nomination Committee will continue to monitor the structure of the Board and the employees, as well as the implementation of Board Diversity Policy, and assess whether any plans or measurable objectives should be set. The Board recognizes the importance of diversity (gender diversity in particular) and will ensure that any successor to the Board complies with the Board Diversity Policy.

The Nomination Committee has adopted a nomination policy which sets out a set of nomination procedures and selection criteria for directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and benefits to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates for independent non-executive directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.

During the year ended 31 December 2025, one meeting of the Nomination Committee was held. It had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, made recommendations to the Board on the re-appointment of Directors and reviewed and made recommendations to the Board on the nomination policy. The attendance records of the members of the Nomination Committee are as follows:

Name of directors	Attendance/ Number of Meetings
Mr. Kwok Kwan Fai (<i>Chairman</i>)	1/1
Mr. Chu Kin Ming	1/1
Mr. Hong Sze Lung	1/1
Mr. Leung Ka Tin (<i>appointed on 1 January 2025</i>)	1/1
Mr. Chan Hon Wah (<i>resigned on 1 January 2025</i>)	0/0

Risk management committee

The Risk Management Committee consists of three independent non-executive Directors, namely Mr. Hong Sze Lung, Mr. Chu Kin Ming and Mr. Leung Ka Tin. Mr. Hong Sze Lung is the chairman of the committee.

Under the terms of reference of the Risk Management Committee, the primary duties of the Risk Management Committee are, among other things, to improve the risk management practices of the Company, and to assess the sanctions-related risks which the Group may be exposed to from time to time.

During the year ended 31 December 2025, two meetings of the Risk Management Committee were held. It had reviewed the internal control and risk management systems and assessed the sanction risk exposed to the Group. The attendance records of the members of the Risk Management Committee are as follows:

Name of directors	Attendance/ Number of Meetings
Mr. Hong Sze Lung (<i>Chairman</i>)	2/2
Mr. Chu Kin Ming	2/2
Mr. Leung Ka Tin (<i>appointed on 1 January 2025</i>)	2/2
Mr. Chan Hon Wah (<i>resigned on 1 January 2025</i>)	0/0

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the Group's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the Group's financial reports and achieving compliance with applicable laws and regulations. Such systems are designed, with reference to "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"), to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2025, the Group has engaged an independent internal control consultant to conduct an annual review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management. The board is not aware of any significant changes during the year ended 31 December 2025 in the risks (including ESG risks) assessment and management and internal control systems. The Board has reviewed the report from the independent internal control consultant and concludes that the Group's risk management and internal control are adequate and effective. The Group does not have an internal audit function and will engage an external party to review risk management and internal control systems annually.

The Company has in place a framework for the handling and disclosure of inside information in compliance with the Securities and Futures Ordinance and the Listing Rules. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group. Under the framework, a reporting mechanism has been put in place for employees to report potential inside information to the Chairman or Company Secretary as soon as possible. Analysis and consultations with the Company's Directors and senior management will be made so as to identify whether any such information constitutes inside information and is required to be disclosed to the public.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2025.

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

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

DIVIDEND POLICY

The Company has adopted a dividend policy on 23 March 2020. The dividend distribution ratio shall be determined by the Board from time to time. The declaration and payment of dividends shall be determined by the Board, which is also in the best interests of the Group and Shareholders. In addition, the final dividend for any financial year is subject to Shareholders' approval. The remaining net profit will be used for the operation and development of the Group. When determining whether to propose dividends and determining the amount of dividends, the Board should consider, among other things, the following factors:

- (i) current and future business, actual and expected financial results of the Company;
- (ii) any development plan of the Company;
- (iii) liquidity position, working capital and capital expenditure requirements and future expected capital requirements of the Group;
- (iv) the debt-to-equity ratio, return-on-equity ratio and the level of the relevant financial contracts of the Group;
- (v) any restrictions on the payment of dividends may be imposed by the lenders of the Group or other third parties;
- (vi) retained earnings and distributable reserves of the Group and each member of the Group;
- (vii) general economic conditions, the business cycle of the Group's business as well as other internal and external factors that may affect the Company or financial results and position; and
- (viii) any other factors that the Board considers appropriate and relevant.

The declaration and payment of dividends are subject to any restrictions under the Cayman Islands Company Law, any applicable laws, rules and regulations, including the Listing Rules and the Articles of Association.

The Board decided not to declare any dividend for the years ended 31 December 2025 and 31 December 2024 because of the net losses for the years ended 31 December 2025 and 31 December 2024. The Board confirmed that such decisions were made in accordance with the dividend policy.

AUDITORS' REMUNERATION

For the year ended 31 December 2025, ZHONGHUI ANDA CPA Limited was engaged as the Group's independent auditors. Apart from the provision of annual audit services, ZHONGHUI ANDA CPA Limited provided the audit and non-audit services.

The remuneration paid/payable to ZHONGHUI ANDA CPA Limited, the auditors, for the year ended 31 December 2025 is set out below:

Services	Fee paid/payable HK\$'000
Audit services – annual audit services	770
Non-audit services – review on continuing connected transactions	20
Total	790

COMPANY SECRETARY

Mr. Choi Chun Wai (“**Mr. Choi**”) was appointed as the Company Secretary in January 2025 and serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Mr. Choi was also appointed as Chief Financial Officer of the Group with effect from January 2025.

Mr. Choi attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2025 to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings shall also be convened on the written requisition of one or more members deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitioner(s), provided that such requisitioner(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the “Procedures for a Shareholder to Propose a Person for Election as a Director” of the Company which is posted on the Company’s website.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Workshops 1605–1606, 16/F, Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, Hong Kong
Email: customerservice@kelfred.com
Attention: Chairman of the Board and the Company Secretary

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group’s business performance and strategies. The Company has adopted a shareholder communication policy. According to the policy, the Company need to ensure effective and timely communication of information to the shareholders and potential investors and maintain various communication channels. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.kelfred.com.hk as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

The Company has reviewed the implementation and effectiveness of the shareholder communication policy. Considering that the multiple communication channels with Shareholders and potential investors maintained during the year, the Company considered that the policy remained effective and has been properly implemented.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there was no change in the Company’s constitutional documents.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales in eyewear products. The principal activities of the Company's principal subsidiaries are set forth in note 29 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2025 by operating segment is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2025 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2025 and the financial position of the Group as at 31 December 2025 are set forth in the consolidated financial statements on pages 54 to 57 of this annual report.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2025 and 31 December 2024.

As at the date of this annual report, the Board was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

FIXED ASSETS

Details of the movements during the year ended 31 December 2025 in property, plant equipment and right-of-use assets are set out in notes 14 and 15 to the consolidated financial statements, respectively.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2025 are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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



REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2025, calculated in accordance with the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$73.4 million (2024: HK\$75.1 million).

TAX RELIEF AND EXEMPTION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 June 2026 to Monday, 29 June 2026, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting ("AGM") to be held on Monday, 29 June 2026. The record date for determining the eligibility of the Shareholders to attend and vote at the AGM will be Monday, 29 June 2026. In order to be eligible to attend and vote at the AGM, all branch transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 22 June 2026.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 4 of the annual report.

DIRECTORS

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

Executive Directors:

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Kwok Kwan Yu (*Chief Executive Officer*)

Non-Executive Directors:

Mr. Kwok Mau Kwan
Ms. Chan Yin Wah

Independent Non-Executive Directors (The "INEDs"):

Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Leung Ka Tin (*appointed on 1 January 2025*)
Mr. Chan Hon Wah (*resigned on 1 January 2025*)

As at the date of this report, the Company still considers the INEDs, namely Mr. Chu Kin Ming, Mr. Hong Sze Lung and Mr. Leung Ka Tin to be independent taking into account the factors set out in Rule 3.13 of the Listing Rules.

Mr. Leung Ka Tin confirmed that he has obtained the legal advice from the Company's legal advisers as to the laws of Hong Kong referred to under Rule 3.09D of the Listing Rules on 4 December 2024, and understands his legal obligations as a director of a listed issuer under the Listing Rules.

Retirement and re-election of Directors

In accordance with Article 108 of the Articles of Association, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Mr. Kwok Kwan Yu, Mr. Kwok Mau Kwan and Mr. Hong Sze Lung shall retire by rotation. All the retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for a term of three years, commencing from the Listing Date. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year, and may be subject to renewal for another year.

All of them are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association. Their emolument were determined by the Board by reference to their experience, responsibilities and duties with the Company, the prevailing market condition and shall be reviewed annually by the Remuneration Committee with reference to their performances. The details of the remuneration of each of the Directors are revealed on note 11 to the consolidated financial statements.

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in this annual report and note 31 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company's subsidiaries or its parent company was a party and in which a Director and an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Group's controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

CHANGES IN INFORMATION OF DIRECTORS

The change in the information of the Directors, which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Name of Director	Detail of changes
Mr. Hong Sze Lung	Appointed as an independent non-executive director of Ocean Star Technology Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8297) since 25 August 2025; Redesignated from an independent non-executive director to an executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0444) since 4 February 2026.

Save as disclosed above and in this annual report, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the year ended 31 December 2025 and up to the date of this annual report.

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

As at 31 December 2025, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix C3 to the Listing Rules, are set out as follows:

(a) Long position in Shares

Name of Director	Capacity/nature of interest	Number of Shares (Note 4)	Approximate percentage of shareholding interests of the Company
Mr. Kwok Kwan Fai (“Mr. Joe Kwok”)	Interest in controlled corporation (Note 1)	270,952,000 (L)	54.19%
Mr. Kwok Kwan Yu (“Mr. Ken Kwok”)	Interest in controlled corporation (Note 1)	270,952,000 (L)	54.19%
Ms. Chan Yin Wah (“Mrs. Kwok”)	Interest in controlled corporation; interest held jointly with another person (Note 2)	270,952,000 (L)	54.19%
Mr. Kwok Mau Kwan (“Mr. Kwok”)	Interest of spouse (Note 3)	270,952,000 (L)	54.19%
Mr. Leung Ka Tin (“Mr. Leung”)	Beneficial owner	5,000,000 (L)	1%

REPORT OF THE DIRECTORS

Notes:

1. Conquer Holding Limited (“**Conquer**”), being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok holds 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
2. On 3 January 2019, Mr. Kwok, Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok entered into the confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of the Group since their respective dates of incorporation and shall continue to do so after the date of the confirmatory deed. Details of the confirmatory deed are set out in the paragraph headed “History, Reorganisation and Group Structure – Parties acting in concert” in the prospectus of the Company dated 29 June 2019 (the “**Prospectus**”). Accordingly, Mrs. Kwok, Mr. Joe Kwok, Mr. Ken Kwok and Conquer are considered as a group of Controlling Shareholders and Mrs. Kwok is deemed to be interested in the Shares held by Conquer under the SFO.
3. Mr. Kwok is the spouse of Mrs. Kwok and is deemed to be interested in all the Shares interested by Mrs. Kwok for the purposes of the SFO.
4. The Letter “L” denotes the entity/person’s long interest in the Shares.
5. As at 31 December 2025, the total number of issued shares of the Company was 500,000,000.

(b) Long position in Conquer, an associated corporation of the Company

Name of Director	Capacity/nature of interest	Percentage of the issued share capital of Conquer
Mr. Joe Kwok	Beneficial owner	49%
Mr. Ken Kwok	Beneficial owner	49%
Mrs. Kwok	Beneficial owner	2%

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as the Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the Company's issued share capital will be as follows:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interests of the Company
Conquer (Note 2)	Beneficial owner	270,952,000 (L)	54.19%
Ms. Lee Man Yee Joanna ("Ms. Lee") (Notes 2 and 3)	Interest of spouse	270,952,000 (L)	54.19%
Ms. Siu Fong Ting Tammy ("Ms. Siu") (Notes 2 and 4)	Interest of spouse	270,952,000 (L)	54.19%
Mr. Kwok Hon Yim	Beneficial owner	27,260,000 (L)	5.45%

Notes:

- The Letter "L" denotes the entity/person's long interest in the Shares.
- Conquer, being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok hold 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
- Ms. Lee is the spouse of Mr. Joe Kwok and is deemed to be interested in all the Shares interested by Mr. Joe Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.
- Ms. Siu is the spouse of Mr. Ken Kwok and is deemed to be interested in all the Shares interested by Mr. Ken Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.
- As at 31 December 2025, the total number of issued shares of the Company was 500,000,000.

Save as disclosed herein, the Directors are not aware of any person (other than the Directors and the chief executive of the Company) who has, as at 31 December 2025 (without taking into account any options which may be granted under the share option scheme), an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% of the issued voting shares of any other member of the Group.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

SHARE OPTION SCHEME

On 22 June 2019, the then sole Shareholder of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**") to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group.

As at 31 December 2025 and to the date of this annual report, no option had been granted or to be granted, exercised, lapsed or cancelled under the Share Option Scheme and there is no outstanding options.

The following is a summary of the principal terms of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme and is established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to the Group.

The Share Option Scheme will provide the Eligible Participants (as defined below) with an opportunity to acquire proprietary interests in the Company with the view to achieve the following principal objectives:

- (a) motivate the Eligible Participants (as defined below) to optimise their performance and efficiency for the benefit of the Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants (as defined below) whose contributions are, will or expected to be beneficial to the Group.

For the purpose of the Share Option Scheme, "Eligible Participants" means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (i) any Eligible Employees. “Eligible Employees” means any employees (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which the Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services of any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Option Scheme, offer for the grant of an option (“**Offer**”) may be made to any company wholly owned by one or more Eligible Participants.

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

3. Subscription Price of Shares

The subscription price for any Share under the Share Option Scheme shall be subject to any adjustments made pursuant to paragraph 14 below, be a price determined by the Directors and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the Shares on the offer date, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a “**Trading Day**”); (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the offer date; and (iii) the nominal value of a Share on the offer date.

4. Grant of options and acceptance of offers

An Offer shall be deemed to have been accepted by an Eligible Participant when the Company receives the letter containing the Offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Directors may determine) in favour of the Company as consideration for the grant thereof within such time as may be specified in the Offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the offer date, which must be a Trading Day, on which the option was made to an Eligible Participant.

5. Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) unless approved by the Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit. As at 1 January 2025 and 31 December 2025, 50,000,000 Shares were available for grant under the Scheme Mandate Limit.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by the Shareholders. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraph (iv) below, the Directors may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by the Group if such grant will result in the said 30% limit being exceeded.

The number of Shares available for issue is 50,000,000 Shares under the Scheme Mandate Limit, which represent 10% of the Shares in issue as at the Listing Date and 10% of the Shares in issue as at the date of this annual report.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders at general meeting, with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by the Company to the Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive Director who or whose associate is a proposed grantee of an option).

Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders by poll in general meeting where the grantee, his/her associates and core connected persons of the Company must abstain from voting in favour at such general meeting. The Company shall send a circular to the Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after “Inside Information” (as defined in the SFO) has come to the knowledge of the Company until the Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company’s results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce our results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement.

The Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

9. Time of exercise of option

An option may (and may only) be exercised in accordance with the terms and conditions of the offer at any time during a period to be determined by the Directors which shall not exceed 10 years from the offer date subject to the provisions for early termination contained in the Offer and the Share Option Scheme, and provided that the Directors may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of the Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of the Company immediately after the issue and allotment of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by the Directors and provided in the Offer, a grantee is not required to achieve any performance target (including vesting period) before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of Association for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of the Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on cessation of employment

In the event of death of the grantee (being an individual) before exercising the option in full, his/her personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not already exercised) within a period of 12 months following his/her death or such longer period as the Directors may determine.

In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his/her death, or the termination of his/her employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Directors may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with the Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company while an option remains exercisable or the Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate (insofar as it is/they are unexercised); and/or (ii) the subscription price; and/or (iii) the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules and give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the subscription price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of the Company or the auditors of the Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting of the Company to consider the winding-up and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to the members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;

- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of the Company;
- (iv) the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him/her an Eligible Employee, or the date on which he/she begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally or on which he/she has been convicted of any criminal offence involving his/her integrity or honesty, unless otherwise resolved to the contrary by the Directors;
- (vi) in respect of a grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that (i)(a) such grantee has committed any breach of any contract entered into between such grantee on one part and the Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of his/her relations with the Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i)(a), (b) or (c) above, unless otherwise resolved to the contrary by the Directors;
- (vii) the expiry of the period referred to in paragraph 15 above; and
- (viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in subparagraph (2) below occurs, unless otherwise resolved to the contrary by the Directors.

If the grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and 13(ii), 18(v) and 18(vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and 13(ii), 18(v) and 18(vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

The Directors shall have absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective until the termination date which falls 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

The Directors may impose such terms and conditions of the Offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Directors except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees without the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of the Shareholders under the Articles for the time being of the Company for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Directors may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Directors to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

The Company by ordinary resolution in general meeting or the Directors may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and the development of the society. Details of the Group's development, performance and operation in the environmental aspect will be set out in the Environmental, Social and Governance Report to be published at the same time as the publication of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is constantly aware of the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. It encourages employees to strengthen their knowledge of the industries in which the Group operate and attend courses or training sessions to improve their relevant industry and technical knowledge. The Group also maintains ongoing communications with its employees, customers and suppliers through various channels such as regular meetings, calls and emails in order to allow employees to contribute to the development of the Group, deliver better customer services to our clients and obtain better services and cooperation from the suppliers.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted internal control and risk management policies to monitor the on-going compliance with relevant laws and regulations. As far as the Board is concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries in all material aspects.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	30.0%
– five largest suppliers in aggregate	55.1%

Sales

– the largest customer	33.7%
– five largest customers in aggregate	72.3%

Save as disclosed in this annual report, none of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The related party transactions entered into by the Group during the year ended 31 December 2025 are disclosed in note 31(a) and 31(b) to the consolidated financial statements. Other than disclosed below, the related party transactions either (i) constituted fully exempted connected transactions/continuing connected transactions; or (ii) do not constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transaction

On 1 September 2023, the Company has entered into the master product sales agreement (the “**Master Product Sales Agreement**”) with DEM Factory SRL (formerly known as DEM SRL), a company incorporated under the laws of the Italian Republic with limited liability (“**DEM**”), for a term commence from 1 September 2023 to 31 December 2025 pursuant to which the Group will sell the products to DEM. Pursuant to the Master Product Sales Agreement, the maximum transaction amount under the Master Product Sales Agreement for the four months ended 31 December 2023 is HK\$5,000,000 and for each of the years ended 31 December 2024 and 31 December 2025 are HK\$6,000,000 and HK\$7,500,000, respectively.

The Directors believe that the transactions contemplated under the Master Product Sales Agreement will allow the Group to leverage its production capacity for eyewear products, boost its turnover and diversify its sales channel internationally. It would also expand the sources of income of the Group and thereby benefit the operations of the Group.

The following table is a summary of the aggregate amount and the annual caps of the non-exempt continuing connected transaction of the Group pursuant to Chapter 14A of the Listing Rules for the year ended 31 December 2025.

Connected Party	Agreement	Aggregate	Annual Cap for
		value for the year ended 31 December 2025 HK\$'000	the year ended 31 December 2025 HK\$'000
DEM ^(Note)	Master Product Sales Agreement	5,859	7,500

Note:

The shares of DEM are owned as to 51% by Mr. Ken Kwok, 40% by Mr. Fedalto Alessandro and 9% by Mr. Testolini Roberto, respectively. Mr. Fedalto Alessandro and Mr. Testolini Roberto are both third parties independent of and not connected with the Company and its connected persons. Mr. Ken Kwok, being an executive director and the chief executive officer of the Company and through his 49% shareholding in Conquer and together with parties acting in concert with him, is interested in an aggregate of 270,952,000 Shares, representing approximately 54.19% of the issued share capital of the Company. Hence, DEM is an associate of Mr. Ken Kwok and therefore a connected person of the Company.

The aforesaid continuing connected transaction has been reviewed by the Directors (including independent non-executive Directors) of the Company, they (in particular the independent non-executive Directors) are of the view that the Master Product Sales Agreement and the transactions contemplated thereunder (including the annual caps) entered into in the ordinary and usual course of business of the Group, on normal commercial terms (which were arrived at after arm's length negotiations) and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company has followed the pricing policies and guidelines set by the Company when determining the price and terms of the aforesaid continuing connected transactions conducted during the year ended 31 December 2025.

The Company's independent auditor was engaged to report on the continuing connected transactions under the Master Product Sales Agreement, which confirmed that, for the purpose of Rule 14A.56 of the Listing Rules, nothing has come to their attention that causes them to believe that the continuing connected transactions under the Master Product Sales Agreement: (i) have not been approved by the Board; (ii) have not in all material respects, been conducted in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Master Product Sales Agreement; and (iv) have exceeded the annual cap set by the Company.

Save as disclosed in this annual report, during the year ended 31 December 2025, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares throughout the year ended 31 December 2025 and up to the date of this report.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

COMPETING INTERESTS

As at 31 December 2025, Mr. Ken Kwok, an executive Director, is the controlling shareholder of a customer of the Group (the "**Customer**"). The Customer is principally engaged in assembling parts of optical frames and sunglasses with suppliers from Italy and sale of processed end products to its own customers. While the Group's suppliers are mainly from the PRC and has a largely differentiable customer base with the Customer, the Company considers that the operations of the Customer and the Group are complementary and there is no material impact on the operations or financial conditions of the Group. For the year ended 31 December 2025, the transaction amount between the Group and the Customer was approximately HK\$5,859,000.

Save as disclosed above, the Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year.

As set out in the Prospectus, the Company has adopted, among others, the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the shareholders: (i) the Company will disclose decisions on matters reviewed by the INEDs relating to compliance and enforcement of the deed of non-competition dated 22 June 2019 entered into by the controlling shareholders in favour of the Company competing interests ("**Non-competition Undertaking**") in the annual report; and (ii) the controlling shareholders will make an annual declaration on compliance with their Non-competition Undertaking in the annual report.

Save as disclosed above, the controlling shareholders confirmed that they have complied with their undertaking under the Non-competition Undertaking for the year ended 31 December 2025.

The INEDs have reviewed and confirmed that the controlling shareholders have complied with all the undertakings under the Non-competition Undertaking for the year ended 31 December 2025.

EVENTS AFTER THE REPORTING PERIOD

Details of the signification events after the reporting period of the Group are set out in note 33 to the consolidated financial statements.

AUDITOR

The consolidated financial statements have been audited by ZHONGHUI ANDA CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

RSM Hong Kong (“**RSM**”) has resigned as the auditor of the Company with effect from 9 August 2024, as the Company and RSM could not agree on the audit fee for the financial year ending 31 December 2024. ZHONGHUI ANDA CPA Limited has been appointed as the auditor of the Company with effect from 9 August 2024 to fill the casual vacancy following the resignation of RSM.

By order of the Board
Kwok Kwan Fai
Chairman and Executive Director

Hong Kong, 25 March 2026

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF KELFRED HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kelfred Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 54 to 112, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), as applicable to audits of 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Estimation of the net realisable value of inventories

Refer to Note 17 to the consolidated financial statements.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on the estimated selling price less the estimated costs of completion, if relevant, other costs necessary to make the sale for eyewear. The balance of inventories of HK\$74,707,000 as at 31 December 2025 is material to the consolidated financial statements. In addition, the net realisable value of inventories involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Obtaining an understanding of assessment process taken by management to estimate the net realisable value for inventories and the inventory provision policy adopted by the Group;
- Performing a retrospective review to evaluate the outcome of prior period assessment of allowance for inventories to assess the effectiveness of management's estimation process;
- Assessing the ageing of the inventories on a sample basis;
- Assessing the net realisable values of the inventories on a sample basis; and
- Checking subsequent sales and usage of the inventories on a sample basis.

We consider that the Group's impairment test for inventories is supported by the available evidence.

Impairment assessment on trade receivables

Refer to Note 18 to the consolidated financial statements.

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$113,393,000 as at 31 December 2025 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Obtaining an understanding of the assessment process of expected credit losses of trade receivables;
- Assessing whether management's grouping of trade receivables into ageing categories appropriately reflected the shared credit risk characteristics of the Group's customer base;
- Obtaining the expected credit loss assessment report on trade receivables prepared by the external valuer engaged by the Group;
- Assessing the competence, independence and integrity of the external valuer engaged by the Group;
- Evaluating whether the historical loss rates had been appropriately adjusted to reflect current economic conditions and forward-looking information relevant to the Group's operations;
- Testing the accuracy of the ageing analysis of trade receivables on a sample basis;

INDEPENDENT AUDITOR'S REPORT

- Re-performing the arithmetical calculation of the loss allowance by applying the expected loss rates to the respective ageing categories of trade receivables as at the reporting date; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

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

Refer to Notes 14 and 15 to the consolidated financial statements.

The Group tested the amounts of property, plant and equipment and right-of-use assets for impairment. This impairment test is significant to our audit because the balances of property, plant and equipment and right-of-use assets of HK\$26,702,000 and HK\$8,109,000 as at 31 December 2025 respectively, are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Obtaining an understanding and evaluating the Group's impairment assessment;
- Assessing the competence, independence and integrity of the external valuer engaged by the Group;
- Obtaining the external valuation reports and communicating with the external valuer to discuss and challenge the valuation methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions; and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment and right-of-use assets is supported by the available evidence.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Revenue	6	500,253	453,581
Cost of sales		(440,943)	(408,916)
Gross profit		59,310	44,665
Interest revenue		9	17
Other incomes, gains and losses	7	6,350	12,801
Reversal of impairment losses/ (impairment losses) of trade receivables, net		581	(113)
Selling and distribution expenses		(16,885)	(14,839)
Administrative and other operating expenses		(60,458)	(61,988)
Loss from operations		(11,093)	(19,457)
Finance costs	8	(2,642)	(1,980)
Loss before tax		(13,735)	(21,437)
Income tax expense	9	(1,431)	(195)
Loss for the year	10	(15,166)	(21,632)
Attributable to:			
– Owners of the Company		(15,119)	(21,632)
– Non-controlling interests (“NCI”)		(47)	–
		(15,166)	(21,632)
Loss per share	13		
– Basic and diluted (HK cents)		(3.02)	(4.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Loss for the year	(15,166)	(21,632)
Other comprehensive income/(loss) after tax:		
<i>Items that may be reclassified to profit or loss:</i>		
– Exchange differences on translating foreign operations	7,207	(5,125)
Other comprehensive income/(loss) for the year, net of tax	7,207	(5,125)
Total comprehensive loss for the year	(7,959)	(26,757)
Attributable to:		
– Owners of the Company	(7,912)	(26,757)
– NCI	(47)	–
	(7,959)	(26,757)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	14	26,702	30,629
Right-of-use assets	15	8,109	11,801
Deposits paid for property, plant and equipment	16	189	721
Deferred tax assets	24	507	599
		35,507	43,750
Current assets			
Inventories	17	74,707	85,807
Trade receivables	18	113,393	116,775
Prepayments, deposits and other receivables	16	11,218	8,147
Current tax assets		–	636
Bank and cash balances	19	48,003	27,813
		247,321	239,178
Current liabilities			
Trade payables	20	98,805	91,173
Other payables and accruals	21	20,752	21,546
Contract liabilities	22	6,125	1,214
Lease liabilities	23	3,501	3,376
Current tax liabilities		213	–
		129,396	117,309
Net current assets		117,925	121,869
Total assets less current liabilities		153,432	165,619
Non-current liabilities			
Lease liabilities	23	4,957	9,185
Deferred tax liabilities	24	–	–
		4,957	9,185
NET ASSETS		148,475	156,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Capital and reserves			
Share capital	25	5,000	5,000
Reserves	26	143,522	151,434
Equity attributable to owners of the Company		148,522	156,434
NCI		(47)	–
TOTAL EQUITY		148,475	156,434

The consolidated financial statements on pages 54 to 112 were approved and authorised for issue by Board of Directors on 25 March 2026 and are signed on behalf of by:

Mr. Kwok Kwan Fai
Director

Mr. Kwok Kwan Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company						Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Statutory surplus reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Share premium HK\$'000	Retained earnings/ accumulated losses HK\$'000			
		<i>(note 26)</i>	<i>(note 26)</i>	<i>(note 26)</i>	<i>(note 26)</i>				
At 1 January 2024	5,000	4,819	(7,520)	70,538	88,511	21,843	183,191	-	183,191
Total comprehensive loss for the year	-	-	(5,125)	-	-	(21,632)	(26,757)	-	(26,757)
Transfer	-	365	-	-	-	(365)	-	-	-
At 31 December 2024	5,000	5,184*	(12,645)*	70,538*	88,511*	(154)*	156,434	-	156,434
At 1 January 2025	5,000	5,184	(12,645)	70,538	88,511	(154)	156,434	-	156,434
Total comprehensive loss for the year	-	-	7,207	-	-	(15,119)	(7,912)	(47)	(7,959)
Transfer	-	32	-	-	-	(32)	-	-	-
At 31 December 2025	5,000	5,216*	(5,438)*	70,538*	88,511*	(15,305)*	148,522	(47)	148,475

* These reserve accounts comprise the consolidated reserves of HK\$143,522,000 (2024: HK\$151,434,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(13,735)	(21,437)
Adjustments for:		
Allowance for inventories, net	2,996	3,333
(Reversal of impairment losses)/impairment losses of trade receivables, net	(581)	113
Depreciation of property, plant and equipment	8,303	8,538
Depreciation of right-of-use assets	3,068	3,624
Net loss/(gain) on disposals of property, plant and equipment	89	(219)
Finance costs	2,642	1,980
Interest income	(9)	(17)
Unrealised foreign exchange losses/(gains), net	6,626	(4,025)
Operating profit/(loss) before working capital changes	9,399	(8,110)
Change in trade receivables	4,189	(7,994)
Change in inventories	11,379	(16,618)
Change in prepayments, deposits and other receivables	(2,676)	122
Change in trade payables	3,030	49,278
Change in other payables and accruals	(1,402)	2,355
Change in contract liabilities	4,911	(95)
Cash generated from operations	28,830	18,938
Income taxes paid	(450)	(1,445)
Net cash generated from operating activities	28,380	17,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits paid	(185)	(558)
Interest received	9	17
Purchases of property, plant and equipment	(2,425)	(4,950)
Proceeds from disposals of property, plant and equipment	56	692
Net cash used in investing activities	(2,545)	(4,799)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,642)	(1,980)
Repayment of lease liabilities	(3,507)	(3,047)
Bank borrowings raised	42,296	41,565
Repayment of bank borrowings	(42,296)	(41,565)
Net cash used in financing activities	(6,149)	(5,027)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,686	7,667
Effect of foreign exchange rate changes	504	(188)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27,813	20,334
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	48,003	27,813
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	48,003	27,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Kelfred Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1606, 16/F., Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, 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 is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in manufacturing and sales in eyewear products. Details of the principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements.

In the opinion of the directors of the Company, Conquer Holding Limited, a company incorporated in the British Virgin Islands (“**BVI**”), are the immediate and ultimate parents, and Mr. Kwok Kwan Fai, Mr. Kwok Kwan Yu and Ms. Chan Yin Wah are the ultimate controlling parties of the Company.

2. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2025. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRS Accounting Standards did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRS Accounting Standards but is not yet in a position to state whether these new and revised HKFRS Accounting Standards would have a material impact on its results of operations and financial position.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in Hong Kong Dollars (HKD), which is the Company's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Foreign currency translation (Cont'd)

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Buildings comprise mainly factories, offices and dormitories.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial. 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.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis as follows:

Buildings	Over the term of lease
Leasehold improvements	5 years
Plant and machinery	2 to 5 years
Furniture and fixtures	5 years
Office equipment	2 to 5 years
Computer equipment	2 to 5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease including term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the individual lessee uses that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

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.

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

Refundable rental deposits paid are accounted under 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.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses (“**ECL**”) are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime ECL**”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months (“**12-month ECL**”) after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 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 differences 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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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

Related parties

A related party is a person or entity that is related to the Group.

- (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 Company or of a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Related parties *(Cont'd)*

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING POLICIES (Cont'd)

Impairment of assets (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) *Derecognition of financial assets – Receivable purchase arrangements*

The Group has entered into receivable purchase arrangements with banks on its trade receivables. As at 31 December 2025, the Group has determined that it has transferred substantially all risks and rewards of ownership associated with certain trade receivables factored to the banks under the arrangements. Accordingly, the relevant trade receivables with an aggregate carrying amount of HK\$102,382,000 (2024: HK\$39,377,000) is fully derecognised. Further details are given in note 18 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Cont'd)*

Critical judgements in applying accounting policies *(Cont'd)*

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 15 to the consolidated financial statements for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

Key sources of estimation uncertainty

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

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate or the gross profit margin in the cash flow projections, could materially affect the recoverable amount.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2025 were HK\$26,702,000 (2024: HK\$30,629,000) and HK\$8,109,000 (2024: HK\$11,801,000) respectively, with no impairment losses in respect of property, plant and equipment and right-of-use assets. Details of the impairment loss of property, plant and equipment and right-of-use assets are disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(b) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2025, the carrying amount of trade receivables was HK\$113,393,000 (net of allowance for doubtful debts of HK\$24,000) (2024: HK\$116,775,000 (net of allowance for doubtful debts of HK\$599,000)).

(c) Write-down of inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position are set out in note 17 to the consolidated financial statements.

As at 31 December 2025, the carrying amount of inventories was HK\$74,707,000 (net of allowance for inventories of HK\$12,791,000) (2024: HK\$85,807,000 (net of allowance for inventories of HK\$9,291,000)).

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, Renminbi (“**RMB**”), United States dollar (“**USD**”) and Euro (“**EUR**”). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group’s foreign currency denominated financial assets and liabilities, translated into HKD at the prevailing closing rates at the end of the year, are as follows:

	Exposure to foreign currencies					Total HK\$'000
	HKD HK\$'000	RMB HK\$'000	USD HK\$'000	EUR HK\$'000	Others HK\$'000	
At 31 December 2025						
Financial assets	9,272	32,827	118,253	6,805	89	167,246
Financial liabilities	1,291	116,003	7,907	1,276	1,538	128,015
At 31 December 2024						
Financial assets	5,954	30,926	110,634	4,069	–	151,583
Financial liabilities	1,423	115,987	7,100	747	23	125,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Foreign currency risk (Cont'd)

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of RMB, USD and EUR to which the Group has significant exposure at the end of the year. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax HK\$'000	Increase/ (decrease) in retained earnings HK\$'000
At 31 December 2025			
RMB	3%	(2,084)	(2,084)
RMB	(3%)	2,084	2,084
USD	1%	921	921
USD	(1%)	(921)	(921)
EUR	4%	185	185
EUR	(4%)	(185)	(185)
At 31 December 2024			
RMB	3%	(2,131)	(2,131)
RMB	(3%)	2,131	2,131
USD	1%	865	865
USD	(1%)	(865)	(865)
EUR	4%	111	111
EUR	(4%)	(111)	(111)

The sensitivity analysis of the Group's exposure to currency risk at the reporting date has been determined based on the hypothetical changes in foreign exchange rates which are commensurate with historical fluctuation during the year. The assumed changes represent directors' assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT *(Cont'd)*

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group's largest customer shared nearly 12.9% (2024: 10.8%) of the trade receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

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 30 days to 120 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Trade receivables (Cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

At 31 December 2025

	Expected credit loss rate %	Gross carrying amount HK\$'000	Expected credit losses HK\$'000	Net carrying amount HK\$'000
Current	0.00	79,211	(2)	79,209
1-60 days past due	0.02	25,147	(4)	25,143
61-120 days past due	0.13	3,134	(4)	3,130
121-180 days past due	0.18	1,685	(3)	1,682
Over 180 days past due	0.26	4,240	(11)	4,229
		113,417	(24)	113,393

At 31 December 2024

	Expected credit loss rate %	Gross carrying amount HK\$'000	Expected credit losses HK\$'000	Net carrying amount HK\$'000
Current	0.17	87,683	(148)	87,535
1-60 days past due	0.73	22,908	(167)	22,741
61-120 days past due	3.20	2,342	(75)	2,267
121-180 days past due	4.15	650	(27)	623
Over 180 days past due	4.80	3,791	(182)	3,609
		117,374	(599)	116,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Trade receivables (Cont'd)

Movement in the loss allowance for trade receivables during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	599	491
(Reversal of impairment losses)/impairment losses recognised for the year, net	(581)	113
Exchange difference	6	(5)
At 31 December	24	599

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experiences and market information. The Group assessed that the expected credit losses for these receivables were not material under the 12-month expected losses method. In view of the history of cooperation with debtors and the collection history of the receivables, the management believe the credit risk inherent in the Group's outstanding other receivables balances is not significant.

Bank and cash balances

For bank and cash balances, the Group has assessed that they are mainly placed with banks with high credit rating with no recent history of default in relation to these financial institutions and probability of defaults (of those banks) are low based on market information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2025					
Trade payables	98,805	–	–	–	98,805
Other payables and accruals	20,752	–	–	–	20,752
Lease liabilities	3,741	3,720	1,366	–	8,827
	123,298	3,720	1,366	–	128,384
At 31 December 2024					
Trade payables	91,173	–	–	–	91,173
Other payables and accruals	21,546	–	–	–	21,546
Lease liabilities	3,772	4,253	5,307	–	13,332
	116,491	4,253	5,307	–	126,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing bank deposits with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk. The directors consider there is no expected significant exposure to interest rate risk and hence, no sensitivity analysis is presented.

(e) Categories of financial instruments at 31 December

	2025 HK\$'000	2024 HK\$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	167,246	151,583
Financial liabilities:		
Financial liabilities at amortised cost	119,557	112,719
Lease liabilities	8,458	12,561

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sales of eyewear products. An analysis of the Group's revenue is as follow:

	2025 HK\$'000	2024 HK\$'000
Sales of eyewear products	500,253	453,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information

The executive directors of the Company, being the chief operating decision makers, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing, manufacturing and sales of eyewear products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	2025 HK\$'000	2024 HK\$'000
Italy	156,733	175,833
United Kingdom	156,910	124,391
Hong Kong	128,761	108,417
United States	17,058	19,245
The People's Republic of China ("PRC")	8,369	1,892
India	7,115	1,215
Spain	5,987	343
Philippines	5,135	–
Japan	4,922	4,893
Australia	725	7,705
France	397	4,970
Others	8,141	4,677
	500,253	453,581

An analysis of the Group's non-current assets (excluding deposits paid and deferred tax assets) by their physical geographical location is as follows:

	2025 HK\$'000	2024 HK\$'000
Hong Kong	1,063	2,580
PRC	32,311	39,850
Thailand	1,437	–
	34,811	42,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Timing of revenue recognition

All timing of revenue recognition is recognised at a point in time during the years ended 31 December 2024 and 2025.

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	2025 HK\$'000	2024 HK\$'000
Customer A	168,372	124,987
Customer B	58,789	64,509
Customer C	54,823	57,704

Sales of eyewear products

The Group manufactures and sells eyewear products to the customers. Revenue from the sales of eyewear products is recognised at a point in time when control of the goods has transferred to customer upon delivery of eyewear products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. OTHER INCOMES, GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Income from sales of scrap and rework services	267	229
Material costs charged to customers	3,931	2,517
Government grants*	1,397	3,018
Product services fee income	1,163	1,316
Product design fee income	2,819	251
Sample and mould income	459	395
Net foreign exchange (losses)/gains	(3,704)	4,025
Net (loss)/gain on disposals of property, plant and equipment	(89)	219
Sundry income	107	831
	6,350	12,801

* Government grants mainly relate to various subsidies supported from the government in Hong Kong and the PRC.

8. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on factoring of trade receivables	1,885	1,159
Interest on bank borrowings	452	297
Interest on lease liabilities	305	524
	2,642	1,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax		
– Over-provision in prior years	–	(37)
Current tax – PRC Enterprise Income Tax (“PRC EIT”)		
– Provision for the year	569	298
– Under-provision in prior years	742	244
	1,311	542
Deferred tax (<i>note 24</i>)	120	(310)
	1,431	195

Hong Kong Profits Tax is charged at a rate of 16.5% on the assessable profit derived in Hong Kong. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2025 as the Group did not generate any assessable profits arising in Hong Kong. No Hong Kong profits tax has been provided as the Group has sufficient tax losses to offset the estimated assessable profits for the year ended 31 December 2024.

Pursuant to the PRC EIT Law and the respective regulations, the subsidiaries which operate in the Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to some PRC subsidiaries of the Group.

Yingtian Euro-Asia Enterprise Limited (“**Yingtian Euro-Asia**”) was qualified as a Small and Low-profit Enterprise for the years ended 31 December 2025 and 2024 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2023] No. 12, Yingtian Euro-Asia was also entitled to a further deduction of 25% of the tax income for the years ended 31 December 2025 and 2024.

Huaqing Glasses (Shenzhen) Company Limited (“**Shenzhen Huaqing**”) was qualified as a High and New Technology Enterprise and was subject to income tax at a preferential tax rate of 15% for the years ended 31 December 2025 and 2024. Besides, Shenzhen Huaqing’s research and development activities are entitled to claim 200% (2024: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INCOME TAX EXPENSE (Cont'd)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before taxation	(13,735)	(21,437)
Tax at Hong Kong Profits Tax rates of 16.5% (2024: 16.5%)	(2,266)	(3,537)
Tax effect of income that is not taxable	(135)	(42)
Tax effect of expenses that are not deductible	1,364	539
Tax effect of tax incentives for research and development expenses	(926)	(1,978)
Tax effect of temporary differences not recognised	151	(146)
Tax effect of utilisation of tax losses not previously recognised	–	(139)
Tax effect of tax losses not recognised	2,444	4,579
Under-provision in prior years	742	207
Effect of different tax rates of subsidiaries	57	712
Income tax expense	1,431	195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2025 HK\$'000	2024 HK\$'000
Auditor's remuneration		
Audit services	770	790
Non-audit services	20	–
	790	790
Cost of inventories sold*	437,947	405,583
Allowance for inventories, net (included in cost of sales)	2,996	3,333
(Reversal of impairment losses)/impairment losses for trade receivables, net	(581)	113
Depreciation of property, plant and equipment	8,303	8,538
Depreciation of right-of-use assets	3,068	3,624
Net foreign exchange losses/(gains)	3,704	(4,025)
Net loss/(gain) on disposals of property, plant and equipment	89	(219)
Staff costs including directors' emoluments		
Salaries and allowances	89,152	111,696
Discretionary bonus	1,730	1,447
Retirement benefit schemes contributions	10,418	11,909
Other employee benefit expenses	5,835	4,203
Total staff costs	107,135	129,255
Short-term lease charges	735	647

* Cost of inventories sold includes staff costs and depreciation of approximately HK\$67,027,000 (2024: HK\$89,691,000) which are included in the amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors						
Mr. Kwok Kwan Fai (<i>Chairman</i>)	-	546	46	-	18	610
Mr. Kwok Kwan Yu	-	3,000	250	-	18	3,268
Non-executive directors						
Ms. Chan Yin Wah	-	168	14	64	-	246
Mr. Kwok Mau Kwan	-	168	14	41	-	223
Independent non-executive directors						
Mr. Leung Ka Tin (<i>note</i>)	180	-	-	-	-	180
Mr. Chu Kin Ming	180	-	-	-	-	180
Mr. Hong Sze Lung	180	-	-	-	-	180
Total for 2025	540	3,882	324	105	36	4,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors						
Mr. Kwok Kwan Fai (<i>Chairman</i>)	-	3,000	250	-	18	3,268
Mr. Kwok Kwan Yu	-	3,000	250	-	18	3,268
Non-executive directors						
Ms. Chan Yin Wah	-	432	36	59	-	527
Mr. Kwok Mau Kwan	-	432	36	83	-	551
Independent non-executive directors						
Mr. Chan Hon Wah (<i>note</i>)	180	-	-	-	-	180
Mr. Chu Kin Ming	180	-	-	-	-	180
Mr. Hong Sze Lung	180	-	-	-	-	180
Total for 2024	540	6,864	572	142	36	8,154

Note: Mr. Chan Hon Wah has resigned as an independent non-executive director ("INED") with effect from 1 January 2025 and Mr. Leung Ka Tin has been appointed as an INED with effect from 1 January 2025.

During the years ended 31 December 2025 and 2024, no emoluments were paid or payable by the Group to any the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

The five highest paid individuals in the Group during for the year ended 31 December 2025 included two (2024: two) directors whose emolument are reflected in the analysis presented above. The emoluments of the remaining three (2024: three) individuals are set out below:

	2025 HK\$'000	2024 HK\$'000
Salaries and allowances	2,303	2,695
Discretionary bonus	864	125
Retirement benefit schemes contributions	54	54
	3,221	2,874

The emoluments fell within the following band:

	Number of individuals	
	2025	2024
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
	3	3

During for the years ended 31 December 2025 and 2024, no emoluments were paid or payable by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was proposed for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. LOSS PER SHARE

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

Loss

	2025 HK\$'000	2024 HK\$'000
Loss for the purpose of calculating basic and diluted loss per share	(15,119)	(21,632)

Number of shares

	2025 '000	2024 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	500,000	500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost								
At 1 January 2024	11,426	19,527	47,424	2,924	3,305	342	7,347	92,295
Additions	-	805	4,424	341	193	9	213	5,985
Disposals/write-off	-	-	(2,086)	(358)	(35)	-	(338)	(2,817)
Exchange differences	(376)	(559)	(1,606)	(100)	(103)	(1)	(58)	(2,803)
At 31 December 2024 and 1 January 2025	11,050	19,773	48,156	2,807	3,360	350	7,164	92,660
Additions	-	362	2,463	326	-	14	-	3,165
Disposals/write-off	-	(172)	(491)	(7)	(7)	-	(885)	(1,562)
Exchange differences	566	911	2,507	163	158	1	86	4,392
At 31 December 2025	11,616	20,874	52,635	3,289	3,511	365	6,365	98,655
Accumulated depreciation and impairment								
At 1 January 2024	2,046	11,314	35,666	1,200	2,864	262	4,293	57,645
Charge for the year	282	2,265	3,748	968	290	30	955	8,538
Disposals/write-off	-	-	(1,692)	(297)	(34)	-	(321)	(2,344)
Exchange differences	(73)	(351)	(1,212)	(57)	(92)	(1)	(22)	(1,808)
At 31 December 2024 and 1 January 2025	2,255	13,228	36,510	1,814	3,028	291	4,905	62,031
Charge for the year	283	2,086	3,905	922	155	28	924	8,303
Disposals/write-off	-	(155)	(407)	(7)	(7)	-	(841)	(1,417)
Exchange differences	123	659	1,943	127	144	1	39	3,036
At 31 December 2025	2,661	15,818	41,951	2,856	3,320	320	5,027	71,953
Carrying amount								
At 31 December 2025	8,955	5,056	10,684	433	191	45	1,338	26,702
At 31 December 2024	8,795	6,545	11,646	993	332	59	2,259	30,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group recorded continuous loss for the years ended 31 December 2025 and 2024. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the property, plant and equipment (together with deposit paid for property, plant and equipment) and right-of-use assets.

For the purpose of impairment assessment, property, plant and equipment (together with deposit paid for property, plant and equipment) and right-of-use assets as disclosed in note 15 were allocated to the Group's cash generating unit of sales of eyewear products business ("CGU"), the Group's single operating segment, since the management of the Group considers that it is not possible to estimate their recoverable amounts individually. The aggregate carrying amount of the CGU was HK\$35,000,000 (2024: HK\$43,151,000), which comprises the plant, property and equipment of HK\$26,702,000 (2024: HK\$30,629,000), deposits paid for property, plant and equipment of HK\$189,000 (2024: HK\$721,000) and right-of-use assets of HK\$8,109,000 (2024: HK\$11,801,000).

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period with a pre-tax discount rate of 11% (2024: 13%). Cash flows beyond the 5-year period are extrapolated using a growth rate of 2% (2024: 2%). Other key assumption for the value-in-use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rate during the forecast period, such estimation is based on the Group's historical performance and market trend.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU was higher than the carrying amount and therefore no impairment loss on property, plant and equipment has been recognised in profit or loss for the year ended 31 December 2025 (2024: nil).

Subsequent to the reporting period, on 5 January 2026 and 22 January 2026, the Group obtained new bank loans of RMB5,000,000 and RMB9,950,000 respectively, which are secured by certain of the Group's buildings situated in the PRC with an aggregate carrying value of HK\$8,955,000 as at 31 December 2025 (note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. LEASES AND RIGHT-OF-USE ASSETS

Disclosure of lease-related items:

	2025 HK\$'000	2024 HK\$'000
At 31 December:		
Right-of-use assets		
– Leasehold land	1,680	1,650
– Leased properties	6,429	10,151
	8,109	11,801
Lease commitments of short-term leases	126	126
Lease commitments of leases not yet commenced (other than short-term leases)	515	503
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	3,741	3,772
– Between 1 and 2 years	3,720	4,253
– Between 2 and 5 years	1,366	5,307
	8,827	13,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. LEASES AND RIGHT-OF-USE ASSETS (Cont'd)

	2025 HK\$'000	2024 HK\$'000
Year ended 31 December:		
Depreciation of right-of-use assets		
– Leasehold land	53	53
– Leased properties	3,015	3,571
	3,068	3,624
Lease interests	305	524
Expenses related to short-term leases	735	647
Total cash outflow for leases	4,547	4,218
Additions to right-of-use assets	1,509	899
Lease modification	(2,597)	–

Lease liabilities of HK\$8,458,000 (2024: HK\$12,561,000) are recognised with related right-of-use assets of HK\$6,429,000 as at 31 December 2025 (2024: HK\$10,151,000). The Group leases various leasehold land and properties. Lease agreements are typically made for fixed periods of 2 to 38 years. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group recorded continuous loss for the years ended 31 December 2025 and 2024. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the right-of-use assets.

For the purpose of impairment assessment of the right-of-use assets, the Group allocates these assets to the Group's CGU of sales of eyewear products business since the management of the Group considers that it is not possible to estimate their recoverable amounts individually. Details of the impairment assessment are disclosed in note 14.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU was higher than the carrying amount and therefore no impairment loss on right-of-use assets has been recognised in profit or loss for the year ended 31 December 2025 (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. LEASES AND RIGHT-OF-USE ASSETS (Cont'd)

Subsequent to the reporting period, on 5 January 2026 and 22 January 2026, the Group obtained new bank loans of RMB5,000,000 and RMB9,950,000 respectively, which are secured by certain of the Group's leasehold land situated in the PRC with an aggregate carrying value of HK\$1,680,000 as at 31 December 2025 (note 33).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Prepayments		
Administrative and operating expenses	1,034	913
Goods purchased	183	–
	1,217	913
Deposits		
Deposits paid for property, plant and equipment (note)	189	721
Rental deposits	1,276	999
Utility deposits	117	60
	1,582	1,780
Other receivables		
Advance to staffs	51	21
Rebate from suppliers	1,578	1,742
Export and value-added taxes receivables	6,117	4,204
Others	862	208
	8,608	6,175
	11,407	8,868
Analyses of:		
Non-current assets	189	721
Current assets	11,218	8,147
	11,407	8,868

Note: No impairment losses made for deposits for property, plant and equipment. Details of the impairment assessment are disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	9,416	10,789
Work in process	29,779	36,174
Finished goods	22,077	25,392
Goods-in-transit	13,435	13,452
	74,707	85,807

18. TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	113,417	117,374
Less: impairment losses	(24)	(599)
	113,393	116,775

The Group's credit terms generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group has entered into receivable purchase arrangements with banks for the factoring of trade receivables with certain designated customers. As at 31 December 2025, trade receivables factored to the banks aggregated to HK\$102,382,000 (2024: HK\$39,377,000) and all of which were derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to the banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. TRADE RECEIVABLES (Cont'd)

The aging analysis of trade receivables, based on the date of relevant invoice (delivery date), and net of impairment loss, is as follows:

	2025 HK\$'000	2024 HK\$'000
0 – 60 days	80,987	77,263
61 – 120 days	19,919	32,268
121 – 180 days	5,092	1,739
Over 180 days	7,395	5,505
	113,393	116,775

Details of impairment assessment of trade receivables are set out in note 5(b).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	4,634	1,888
EUR	4,584	3,578
RMB	18,128	16,666
USD	86,047	94,643
	113,393	116,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	4,312	3,789
RMB	9,976	7,651
USD	32,101	15,882
EUR	1,614	491
	48,003	27,813

As at 31 December 2025, the bank and cash balances of the Group denominated in RMB amounted to HK\$7,750,000 (2024: HK\$7,269,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. TRADE PAYABLES

The credit period granted to the Group by suppliers is 30 to 90 days. The following is an aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2025 HK\$'000	2024 HK\$'000
0 – 60 days	70,168	63,283
61 – 90 days	13,087	15,579
91 – 180 days	14,802	11,480
Over 180 days	748	831
	98,805	91,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. TRADE PAYABLES (Cont'd)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	84	70
USD	60	105
RMB	97,552	90,269
EUR	1,109	729
	98,805	91,173

21. OTHER PAYABLES AND ACCRUALS

	2025 HK\$'000	2024 HK\$'000
Accrued staff costs	7,844	8,895
Accrued administrative and operating expenses	3,030	2,834
Purchases of property, plant and equipment	1,047	2,073
Accrued sales rebate to customers	7,812	6,739
Accrued various tax expenses	1,019	1,005
	20,752	21,546

The carrying amounts of the Group's other payables and accruals are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	1,167	854
USD	7,847	6,995
RMB	11,470	13,656
EUR	167	18
Others	101	23
	20,752	21,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2025 HK\$'000	As at 31 December 2024 HK\$'000	As at 1 January 2024 HK\$'000
Contract liabilities – sale of eyewear products	6,125	1,214	1,309
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2025	N/A	1,214	
– 2026	6,125	–	
	6,125	1,214	

Year ended 31 December

	2025 HK\$'000	2024 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	892	987

Contract liabilities represent receipt in advance from customers and the significant changes in the contract liabilities balance during the reporting period are as follows:

	2025 HK\$'000	2024 HK\$'000
Increase due to operations in the year	5,803	892
Transfer of contract liabilities to revenue	(892)	(987)

The carrying amounts of the Group's contract liabilities are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
USD	5,514	1,025
RMB	611	189
	6,125	1,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Within one year	3,741	3,772	3,501	3,376
In the second to fifth years, inclusive	5,086	9,560	4,957	9,185
Less: Future finance charges	8,827 (369)	13,332 (771)		
Present value of lease liabilities	8,458	12,561	8,458	12,561
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,501)	(3,376)
Amount due for settlement after 12 months			4,957	9,185

At 31 December 2025, the average effective borrowing rate was 3.51% (2024: 3.88%). Interest rate are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	40	499
RMB	6,981	12,062
THB	1,437	–
	8,458	12,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group.

	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2024	(198)	(3,287)	3,794	309
Credit to profit or loss (<i>note 9</i>)	198	779	(667)	310
Exchange differences	–	92	(112)	(20)
At 31 December 2024 and 1 January 2025	–	(2,416)	3,015	599
Charge to profit or loss (<i>note 9</i>)	–	1,270	(1,390)	(120)
Exchange differences	–	(92)	120	28
At 31 December 2025	–	(1,238)	1,745	507

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purpose:

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	507	599

At the end of the reporting period the Group has unused tax losses of HK\$80,627,000 (2024: HK\$62,262,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$67,116,000 (2024: HK\$56,401,000) that will expire in 2026 to 2035 (2024: 2025 to 2034). Other tax losses of HK\$13,511,000 (2024: HK\$5,861,000) may be carried forward indefinitely.

The Group's subsidiaries that are PRC tax resident are required to withhold the PRC withholding tax of 10% on the dividend payment to their non-PRC resident immediately holding company, registered in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("PRC-HK DTA").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. DEFERRED TAX (Cont'd)

Pursuant to PRC-HK DTA, Kelfred Optical Limited (“**Kelfred Optical**”) was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. Therefore, subject to the approval on the application of the Hong Kong resident certificate, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend distributed by those subsidiaries incorporated in the PRC.

As at 31 December 2025, no deferred tax has been recognised for withholding tax that would be payable on the undistributed earnings that are subject to withholding tax of the Group’s subsidiaries incorporated in the PRC. In the opinion of the directors, the Group’s fund will be retained in the Mainland China for the expansion of the Group’s operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>500,000,000</u>	<u>5,000</u>

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. SHARE CAPITAL (Cont'd)

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising lease liabilities) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios as at 31 December 2025 was 5.7% (2024: 8.0%). The decrease in the gearing ratio of the Group is primarily due to decrease in the balance of lease liabilities as at 31 December 2025.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2025, 44.8% of the shares were in public hands.

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	88,511	(11,911)	76,600
Total comprehensive expense for the year	–	(1,535)	(1,535)
At 31 December 2024 and 1 January 2025	88,511	(13,446)	75,065
Total comprehensive expense for the year	–	(1,660)	(1,660)
At 31 December 2025	88,511	(15,106)	73,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. RESERVES (Cont'd)

(c) Nature and purpose of reserves

(i) *Statutory surplus reserve*

In accordance with the PRC Company Law and the articles of association of those group companies incorporated in the PRC, the group companies are required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises and other regulations applicable to group companies, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the group companies. The appropriation to the reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the group companies' capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the capital of the group companies.

(ii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(iii) *Other reserve*

The other reserve of the Group represents the difference between the nominal value of shares of the group companies acquired pursuant to the group reorganisation over the nominal value of the share capital of Fame Investment Limited issued in exchange therefor.

(iv) *Share premium*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2025 HK\$'000	2024 HK\$'000
Property, plant and equipment	683	1,033

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Investments in subsidiaries	78,627	—*
Current assets		
Amounts due from subsidiaries	—	79,545
Prepayments and other receivables	287	317
Bank and cash balances	256	409
	543	80,271
Current liabilities		
Other payables and accruals	220	206
Amount due to a subsidiary	545	—
	765	206
Net current (liabilities)/assets	(222)	80,065
NET ASSETS	78,405	80,065
Capital and reserves		
Share capital	5,000	5,000
Reserves	73,405	75,065
TOTAL EQUITY	78,405	80,065

* Represent amount less than HK\$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2025 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Registered/issued and paid share capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			2025	2024	
Directly held by the Company					
Fame Investment Limited	BVI	USD50,000	100%	100%	Investment holding
Indirectly held by the Company					
Kelfred Optical	Hong Kong	HKD25,095,000	100%	100%	Investment holding and trading and design of eyewear products
Shenzhen Huaqing 華清眼鏡(深圳)有限公司*	PRC	HKD58,560,000	100%	100%	Manufacturing of eyewear products
Yingtan Euro-Asia 鷹潭歐亞實業有限公司*	PRC	USD2,000,000	100%	100%	Property holding
Jiangxi Huaqing 江西華清眼鏡有限公司*	PRC	USD10,000,000	100%	100%	Manufacturing of eyewear products

* The entities are registered in the form of wholly-owned foreign investment enterprises.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year.

	Bank borrowings HK\$'000	Interest on factoring arrangement HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2024	–	–	15,219	15,219
Changes in cash flows	(297)	(1,159)	(3,571)	(5,027)
Non-cash changes:				
– interest charged	297	1,159	524	1,980
– addition of lease liabilities	–	–	899	899
– exchange differences	–	–	(510)	(510)
At 31 December 2024 and 1 January 2025	–	–	12,561	12,561
Changes in cash flows	(452)	(1,885)	(3,812)	(6,149)
Non-cash changes:				
– interest charged	452	1,885	305	2,642
– addition of lease liabilities	–	–	1,509	1,509
– lease modification	–	–	(2,597)	(2,597)
– exchange differences	–	–	492	492
At 31 December 2025	–	–	8,458	8,458

(b) Supplier finance arrangement

During the year ended 31 December 2024, the Group used certain specific bank borrowings as its supplier finance arrangement. The funds of these borrowings are first deposited to the Group's bank accounts and the Group can later use these funds to settle its suppliers. The terms of these specific bank borrowings are within 12 months from drawing of the borrowings. These borrowings are secured by certain leasehold land and buildings of the Group. As at 31 December 2024, these borrowings were fully repaid. During the year ended 31 December 2025, no supplier finance arrangement occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. RELATED PARTY TRANSACTIONS

- (a) In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

	Notes	2025 HK\$'000	2024 HK\$'000
Office and warehouse's rental paid for short-term lease to Ms. Lee Man Yee, Joanna	(i)	647	647
Employee benefit expenses to Ms. Lee Man Yee, Joanna	(i)	–	958
Sales of goods to DEM FACTORY SRL (formerly known as DEM S.r.l)	(ii)	5,859	5,562
Purchase from DEM FACTORY SRL (formerly known as DEM S.r.l)	(ii)	397	–

Notes:

- (i) Ms. Lee Man Yee, Joanna is the spouse of Mr. Kwok Kwan Fai.
- (ii) Mr. Kwok Kwan Yu has a 51% equity interest in DEM FACTORY SRL (formerly known as DEM S.r.l).
- (b) The remuneration of directors of the Company, who represent the key management personnel during the year, are set out in note 11.

32. RETIREMENT BENEFITS SCHEMES

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the People's Republic of China, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. RETIREMENT BENEFITS SCHEMES *(Cont'd)*

During the years ended 31 December 2024 and 2025, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2024 and 2025 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

33. EVENT AFTER THE REPORTING PERIOD

On 5 January 2026 and 22 January 2026, the Group obtained new bank loans of RMB5,000,000 and RMB9,950,000 which are repayable on 3 January 2027 and 20 January 2027 respectively. These borrowings are secured by certain leasehold land and buildings of the Group with a carrying value of HK\$10,635,000 as at 31 December 2025 (notes 14 and 15) and guaranteed by the corporate guarantee of a PRC subsidiary. The bank loans were used to provide the working capital of the Group.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2026.