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ANNUAL

REPORT

AI Health Technology Limited
智慧健康科技有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1715)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jie (*Chairperson*)
Madam Maeck Can Yue (*Chief Executive Officer*)
Mr. Wu Huizhang

Non-executive Director

Dr. Zheng Jingwen
(resigned with effect from 2 July 2025)
Ms. Zhang Yuanjie (appointed as non-executive director with effect from 2 July 2025 and re-designated as independent non-executive director with effect from 12 January 2026)

Independent Non-executive Directors

Mr. Wang Shih-fang (resigned with effect from 2 July 2025)
Mr. Li Wei (resigned with effect from 12 January 2026)
Mr. Shen Shujing
Mr. Lin Dongming
Ms. Zhang Yuanjie (appointed as non-executive director with effect from 2 July 2025 and re-designated as independent non-executive director with effect from 12 January 2026)

COMMITTEES OF THE BOARD

Audit Committee

Mr. Shen Shujing (*Chairperson*)
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)
Mr. Li Wei (resigned with effect from 12 January 2026)
Mr. Lin Dongming
Ms. Zhang Yuanjie (appointed with effect from 12 January 2026)

Remuneration Committee

Mr. Lin Dongming (*Chairperson*)
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)
Mr. Shen Shujing
Mr. Zhao Jie (appointed with effect from 2 July 2025)

Nomination Committee

Mr. Shen Shujing (*Chairperson*) (appointed as Chairperson with effect from 30 June 2025)
Mr. Zhao Jie (*Chairperson*) (resigned with effect from 30 June 2025)
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)
Madam Maeck Can Yue (appointed with effect from 30 June 2025)
Mr. Lin Dongming (appointed with effect from 2 July 2025)

COMPANY SECRETARY

Ms. Tse Sau San, CPA

AUTHORISED REPRESENTATIVES

Madam Maeck Can Yue
Ms. Tse Sau San

AUDITOR

Rongcheng (Hong Kong) CPA Limited
(formerly known as CL Partners CPA Limited)
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
Unit 4301-7, 43/F.
COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

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Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

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3585 Sanlu Road
Pujiang Industrial Zone
Caohejing Hi-tech Park
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat E, 15/F.
Leahander Centre
28 Wang Wo Tsai Street
Tsuen Wan, New Territories
Hong Kong

PRINCIPAL BANKS

Bank of China
Bank of Shanghai
Shanghai Rural Commercial Bank
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Hong Kong

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

Cayman Islands

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
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Cayman Islands

STOCK NAME

AI HEALTH TECH

STOCK CODE

1715

WEBSITE

www.aihealth-technology.com

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	47,404	91,885	84,369	88,186	143,873
Cost of sales	(43,140)	(85,400)	(63,152)	(49,699)	(78,603)
Gross profit	4,264	6,485	21,217	38,487	65,270
Loss before income tax	(35,963)	(35,958)	(49,283)	(43,206)	(43,720)
Net loss for the year	(36,016)	(36,005)	(49,318)	(43,550)	(43,894)
Attributable to:					
– Owners of the Company	(35,561)	(35,850)	(49,318)	(43,213)	(44,353)
– Non-controlling interests	(455)	(155)	–	(337)	459
	(36,016)	(36,005)	(49,318)	(43,550)	(43,894)

ASSETS AND LIABILITIES

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	146,686	137,470	165,740	193,804	190,723
Total liabilities	(87,023)	(95,077)	(107,533)	(113,898)	(66,575)
	59,663	42,393	58,207	79,906	124,148
Equity attributable to owners of the Company	58,803	42,058	58,207	80,363	124,268
Non-controlling interests	860	335	–	(457)	(120)
	59,663	42,393	58,207	79,906	124,148

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

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of AI Health Technology Limited (the “**Company**”), I hereby present the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025 (the “**Reporting Period**”) to the shareholders of the Company.

BUSINESS REVIEW

The economy in the People's Republic of China (“**PRC**”) is experiencing economic challenges in 2025. The Group continues to be impacted by the ongoing slowdown in both economic growth and consumption in the PRC, coupled with intense industry competition. Although the Group's revenue for the Reporting Period decreased by 48.4% to RMB47.4 million from RMB91.9 million for the year ended 31 December 2024, and in a spite of a reduction in impairment losses on financial assets and a decrease in finance costs, the Group recorded a net loss of RMB36.0 million for the Reporting Period.

Highlights of the audited results of the Group for the Reporting Period, as compared to 2024, are shown in the following table:

	Year ended 31 December	
	2025 (Audited)	2024 (Audited)
Revenue (RMB'000)	47,404	91,885
Net loss for the year (RMB'000)	(36,016)	(36,005)
Loss per share		(Restated)
– Basic (RMB)	(0.13)	(0.05)
– Diluted (RMB)	(0.13)	(0.05)

CHAIRPERSON'S STATEMENT

OUTLOOK AND STRATEGY

In the face of the cyclical fluctuations and structural changes in the consumer goods market, the Group's kitchen appliance business has experienced certain market pressure over the past period. In response, the Group has proactively adopted a series of measures including product optimization, channel restructuring and cost control, aiming to stabilize the fundamental business performance and unlock the potential of the existing market.

Nevertheless, the Group is keenly aware that long-term growth momentum must stem from strategic positioning and innovation. Therefore, while consolidating its existing business, the Group is firmly committed to business diversification and strategic transformation, allocating more resources to the high-growth sectors of healthcare and digital technology, with a view to building the Group's core growth curve for the next stage.

Looking back on 2025, in September, the Group collaborated with Guokong Zhongkang (Guangxi) Health Industry Co., Ltd.* (國控中康(廣西)健康產業有限公司) and Anhui Baqianli Technology Development Co., Ltd.* (安徽八千里科技發展有限公司) to set up a subsidiary in Anhui Province. The collaboration integrates the parties' technological and industrial resources in the fields of biomedicine and rehabilitation care, marking a crucial step in the Group's development of the healthcare industry chain and further complementing and deepening its business portfolio. During the same year, the Group increased its investment in digitalization and Artificial General Intelligence (AGI), and plans to launch a one-stop intelligent health management platform for home-based health and elderly care scenarios within the next two years, building a service ecosystem. To support the expansion of new businesses, the Group has also established a number of subsidiaries in Guangzhou, Beijing, Qingdao and other places, committed to building a comprehensive and efficient supply chain system, providing solid resource support for the subsequent implementation and expansion of platform services.

Looking ahead to 2026 and beyond, the Group's development focus will be more on nurturing and expanding new businesses. We believe that through continuous deep cultivation in emerging sectors such as healthcare and digital technology, the Group will optimize its overall business structure and open up new space for value growth. The Group will continue to allocate resources prudently and proactively, strengthen collaboration with strategic partners, continuously enhance operational efficiency, and ultimately deliver more stable and sustainable long-term returns to shareholders.

GRATITUDE

On behalf of the Company, I would like to express my sincere gratitude to our valued shareholders, customers, suppliers, banks and to our management and employees for their continuous trust and support to the Group. The coming year will be full of opportunities and challenges and we will strive our best to create greater value for our shareholders and investors.

By order of the Board

Mr. Zhao Jie

Chairperson

Hong Kong, 31 March 2026

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group puts its focus on the research and development, manufacturing and trading of kitchen appliances and selling of health-related products in the PRC. The Group distributes its products across the PRC through various sales channels comprising mainly of distributors, consignment sales, television platforms, online platforms and corporate clients.

The PRC economy is experiencing economic challenges in 2025. The Group continues to be impacted by the ongoing slowdown in both China's economic growth and consumption, coupled with intense industry competition. Despite the Group's revenue for the Reporting Period decreased by 48.4% to RMB47.4 million from RMB91.9 million for the year ended 31 December 2024, the reduction in impairment losses on financial assets and the decrease in finance costs, the Group recorded a net loss of RMB36.0 million for the Reporting Period.

With global demographic shifts and rising health awareness, the healthcare industry is experiencing unprecedented development opportunities. In China in particular, with the accelerating aging of the population and the widespread adoption of digital technologies, the healthcare market, represented by the "silver economy", continues to expand. In active response to the national "Healthy China" strategic direction, while maintaining the stability of all existing businesses, the Group, building on its existing health-related businesses, is focusing on healthcare, digital healthcare and wellness services, establishing a comprehensive healthcare service ecosystem.

The Group established its wholly-owned subsidiary, Shenzhen Candong Health Technology Co., Ltd.* (深圳燦動健康科技有限公司) in 2024, and formed a research and development team comprising professionals in software engineering, data science, health management, and other fields. The team will focus on health data analysis and intelligent services, leveraging both in-house research and development and third-party technology licensing to develop a one-stop health management platform that supports real-time health data monitoring for all demographics and life cycles. Through AGI technology, the platform will promote healthy lifestyles and concepts to users.

Looking ahead, the Group has implemented plans to improve its financial performance. The Group will continue to develop new products that suit the needs of the consumers. Going forward, the Group will continue to increase its investment in digitalization, general artificial intelligence, biotechnology, and other areas, continuously enhancing its comprehensive service capabilities and industry competitiveness. The Group will also consider potential opportunities that can diversify its business segments and create value for the Group and its shareholders.

FINANCIAL REVIEW

Revenue

Revenue by product categories

The Group derives its revenue from the sales of (i) radiant hobs and stoves; (ii) induction hobs and stoves; (iii) pots and pans; (iv) other small kitchen appliances and kitchen cabinets; and (v) health-related products. During the Reporting Period, the Group rolled out health-related products to diversify its product portfolio. The Group's total revenue for the Reporting Period amounted to approximately RMB47.4 million.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is a breakdown of revenue by product categories for the Reporting Period:

	Year ended 31 December			
	2025		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Hobs and stoves (Radiant)	25,781	54.4	30,535	33.2
Hobs and stoves (Induction)	953	2.0	2,773	3.0
Pots and pans	1,621	3.4	10,298	11.2
Health-related products	12,897	27.2	45,064	49.1
Others (Note)	6,152	13.0	3,215	3.5
Total	47,404	100.0	91,885	100.0

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Revenue by geographical regions

During the Reporting Period, the Group's revenue was derived in the PRC.

Revenue by sales channels

The Group sells its products through various channels, mainly including its consignment stores, sales to corporate clients, sales from television platforms and online platforms and physical sales locations operated by the Group's distributors. Set out below is a breakdown of revenue by sales channels for the Reporting Period:

	Year ended 31 December			
	2025		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Direct Sales				
Consignment stores	11,002	23.2	14,415	15.7
Corporate clients	88	0.2	561	0.6
Television platforms	1,011	2.1	3,542	3.9
Subtotal	12,101	25.5	18,518	20.2
Distributors				
Online platforms	5,517	11.7	7,927	8.6
Physical sales locations	29,786	62.8	65,440	71.2
Subtotal	35,303	74.5	73,367	79.8
Total	47,404	100.0	91,885	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Consignment stores

During the Reporting Period, the Group's direct sales revenue from consignment stores decreased by 23.6% to RMB11.0 million from RMB14.4 million for the year ended 31 December 2024, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Corporate clients

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 83.3% to RMB0.1 million from RMB0.6 million for the year ended 31 December 2024, primarily attributable to the decrease in sales orders from PRC property developers.

Television platforms

During the Reporting Period, the Group's direct sales revenue from television platforms decreased by 71.4% to RMB1.0 million from RMB3.5 million for the year ended 31 December 2024, primarily attributable to the decrease in consumer spending through television platforms.

Online platforms

During the Reporting Period, the Group's sales revenue from online platforms operated by the Group's distributors decreased by 30.4% to RMB5.5 million from RMB7.9 million for the year ended 31 December 2024, primarily attributable to the decrease in consumer spending amid poor economic conditions.

Physical sales locations

During the Reporting Period, the Group's sales revenue from physical sales locations decreased by 54.4% to RMB29.8 million from RMB65.4 million for the year ended 31 December 2024, primarily attributable to the adjustments and restructuring in health-related products portfolio during Reporting Period.

Gross profit and gross profit margin

The Group's gross profit margin increased to 9.0% for the Reporting Period as compared with 7.1% for the year ended 31 December 2024, primarily attributable to the change in the mix of products sold during the Reporting Period; and the gross loss margin of health-related products, resulting from the recognition of impairment loss on inventories. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2025		2024	
	Gross profit/ (loss) RMB'000	Gross profit/ (loss) margin %	Gross profit/ (loss) RMB'000	Gross profit/ (loss) margin %
Hobs and stoves (Radiant)	5,354	20.8	6,398	21.0
Hobs and stoves (Induction)	460	48.2	846	30.5
Pots and pans	332	20.5	2,041	19.8
Health-related products	(4,888)	(37.9)	(4,033)	(8.9)
Others (Note)	3,006	48.9	1,233	38.4
Total	4,264	9.0	6,485	7.1

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income mainly includes government grant, licensing income, management fee income and sundry income. The Group's other income for the Reporting Period decreased by 57.9% to RMB1.6 million from RMB3.8 million for the year ended 31 December 2024. Such decrease was primarily attributable to the decrease in licensing income.

Other gains, net

Other gains, net mainly comprised net gain on disposals of investments, and exchange gain or loss. The Group's other gains, net for the Reporting Period increased to RMB0.4 million from RMB0.02 million for the year ended 31 December 2024. Such increase was primarily attributable to the exchange gain for this year.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platforms, sundry expenses of consignment stores, employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period increased by 8.6% to RMB18.9 million as compared with RMB17.4 million for the year ended 31 December 2024. This was primarily attributable to the increased in promotional and advertising expenses.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, depreciation of land use rights, amortisation of intangible assets and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period increased by 6.2% to RMB15.4 million as compared with RMB14.5 million for the year ended 31 December 2024, primarily attributable to the increase in expenses on rights issue.

Research and development expenses

Research and development expenses for the Reporting Period decreased by 1.7% to RMB5.8 million as compared with RMB5.9 million for the year ended 31 December 2024, primarily attributable to cost control.

Finance income

For the Reporting Period, the Group's finance income increased to RMB0.4 million from RMB5,000 for the year ended 31 December 2024.

Finance costs

For the Reporting Period, the Group's finance costs decreased by 26.2% to RMB3.1 million from RMB4.2 million for the year ended 31 December 2024, mainly because the Group repaid the borrowings in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of net loss of an associate

For the Reporting Period, the Group's share of net loss of an associate amounted to RMB0.7 million as compared with RMB0.3 million for the year ended 31 December 2024, primarily due to the increased losses from an associate.

Income tax expenses

The Group's income tax expenses for the Reporting Period amounted to RMB53,000 as compared with RMB47,000 for the year ended 31 December 2024.

Net loss

As a result of the above factors, the Group's net loss for the Reporting Period amounted to RMB36.0 million.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2024: nil).

Other receivables, deposits and prepayments

	2025 RMB'000	2024 RMB'000
Non-current		
Deposits and prepayments	3,852	210
Current		
Prepayments	10,773	48,161
Deposits paid to consignment stores	4,691	5,525
Value added tax recoverable	1,228	1,182
Receivable from a supplier	53,973	–
Other receivables	2,409	5,136
Less: Expected credit losses ("ECL") allowance of other receivables	(502)	(208)
	72,572	59,796

As at 31 December 2025, receivable from a supplier represented the receivable from a supplier as a result of prepayments refundable due to the cancellation of purchase contracts with the unutilised amount as the supplier was unable to supply the products during the Reporting Period. As at 31 December 2025, the management of the Group expects the amount to be fully recoverable and such receivable has been fully received by the Group as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables

Trade receivables decreased by 74.8% to RMB6.2 million as at 31 December 2025 from RMB24.6 million as at 31 December 2024. The decrease in the trade receivables as at 31 December 2025 was mainly due to the received certain receivables. The Group has been regularly liaising with the respective customers to ensure the eventual recovery of these amounts. The Group's credit terms to trade receivables are generally 60 to 270 days. As at 28 March 2026, 78% of the trade receivables (net of individual identified allowance) as at 31 December 2025 was subsequently settled.

The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for all trade receivables.

Management of the Group estimated ECL of trade receivables that are individually significant by considering the ageing profiles of trade receivables, their knowledge about the customers and the market conditions. Management also grouped the trade receivables with similar credit risk characteristics and ageing profile for collective assessment. The estimated ECL rates were based on historical credit loss rates for different groups and adjusted to reflect the current and multiple forward-looking information on macro-economic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. In assessing the sufficiency of the ECL estimation, management considered factors including the settlement pattern, credit profile and on-going trading relationships with the customers.

For the year ended 31 December 2025, the Group derecognised provision for loss allowance of trade receivables of RMB1.9 million, as opposed to recognised provision for loss allowance of trade receivables of RMB4.0 million for the year ended 31 December 2024.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

On 7 March 2025, the Board proposed to (i) increase the authorized share capital of the Company from HK\$100,000,000 divided into 400,000,000 shares of HK\$0.25 each to HK\$150,000,000 divided into 600,000,000 shares of HK\$0.25 each by the creation of an additional 200,000,000 unissued shares of HK\$0.25 each; and (ii) a right issue on the basis of three right shares for every one share held by the qualifying shareholders on the record date at a subscription price of HK\$0.25 per rights share (the "**Rights Issue**"). The closing price of the share was HK\$0.158 per share on 7 March 2025, being the date on which the Rights Issue was announced.

The Board considered that the Rights Issue would allow all qualifying shareholders to participate in the future development of the Company and at the same time offer more flexibility to the qualifying shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company. Furthermore, the Directors are of view that raising funds by way of the Rights Issue is beneficial to the Company and its shareholders as a whole for the purpose of strengthening the capital base of the Company and increasing the Group's operational flexibility.

Pursuant to an extraordinary general meeting held on 29 April 2025, the proposed increase in authorized share capital and Rights Issue have been duly passed by the shareholders by way of poll. The proposed increase of authorized share capital took effect on 29 April 2025.

As disclosed in the announcement of the Company dated 4 June 2025, the Company received a total of 4 valid applications and acceptances of provisional allotments under the provisional allotment letters for a total of 34,467,879 rights shares, representing approximately 9.74% of the total number of rights shares offered under the Rights Issue. Based on the above results of valid applications and acceptances, there were a total of 319,298,121 rights shares that were not subscribed by the qualifying shareholders (the "**Unsubscribed Rights Shares**") subject to the compensatory arrangement (the "**Compensatory Arrangement**") of placing of these rights shares by Imperium International Securities Limited (the "**Placing Agent**"). The Company had, pursuant to Rule 7.21(1)(b) of the Listing Rules, made the Compensatory Arrangements by entering into a placing agreement (the "**Placing Agreement**") with the Placing Agent on 7 March 2025 pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares in accordance with the terms of the Placing Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

On 12 June 2025, being the latest time of placing of the placing shares by the Placing Agent, 208,370,000 Unsubscribed Rights Shares were successfully placed to thirteen independent placees at the placing price of HK\$0.25 per Unsubscribed Rights Share, which was equal to the subscription price of HK\$0.25 per right share. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) each of the placees under the Placing and where appropriate, their respective ultimate beneficial owner(s), is independent of and not connected with the Company and its connected persons and not a connected person of the Company; and (ii) save for Starlight Investment Fund SPC – Starlight Investment Fund SP6, none of the placees will become a substantial shareholder of the Company (as defined under the Listing Rules) upon the completion of the placing. One of the placees, Starlight Investment Fund SPC – Starlight Investment Fund SP6 was placed with 100,000,000 rights shares, representing approximately 27.72% of the total issued share capital of the Company as enlarged by the Rights Issue, as such Starlight Investment Fund SPC – Starlight Investment Fund SP6 became a substantial shareholder of the Company upon completion of the Rights Issue.

On 18 June 2025, 242,837,879 shares with par value of HK\$0.25 each were issued and allotted under the Rights Issue. The aggregate nominal value of these shares was approximately HK\$60.7 million. The gross proceeds raised from the Rights Issue (including the Compensatory Arrangements) were approximately HK\$60.7 million. After taking into account the expenses related to the Rights Issue, the net proceeds of the Rights Issue were approximately HK\$58.9 million, representing the net price of approximately HK\$0.24 per rights share.

For further details, please refer to the announcements of the Company dated 7 March 2025, 29 April 2025, 4 June 2025 and 17 June 2025, the circular of the Company dated 7 April 2025 and the prospectus of the Company regarding the Rights Issue dated 14 May 2025.

On 4 August 2025, the Board proposed to conduct a capital reorganisation (the “**Capital Reorganisation**”), involving (i) a capital reduction (the “**Capital Reduction**”) whereby the nominal or par value of each issued share would be reduced from HK\$0.25 to HK\$0.001 by cancelling the paid-up capital to the extent of HK\$0.249 on each issued share; and (ii) a share sub-division (the “**Share Sub-division**”), immediately following the Capital Reduction becoming effective, whereby each authorised but unissued share of a nominal or par value of HK\$0.25 would be sub-divided into two hundred and fifty (250) new shares with a nominal or par value of HK\$0.001 each. It was further proposed that the credit arising from the Capital Reduction would be applied towards offsetting the Company's accumulated losses upon the Capital Reduction becoming effective.

The Capital Reduction and the Sub-division became effective on 1 December 2025. For details of the Capital Reorganisation, please refer to the announcements of the Company dated 4 August 2025, 3 September 2025, 21 October 2025, 1 December 2025 and the circular of the Company dated 15 August 2025.

As at 31 December 2025, the Company's issued share capital was HK\$360,760 divided into 360,759,879 shares of HK\$0.001 each.

The Group funds its business and working capital requirements by using a balanced mix of internal resources and borrowings. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2025, the Group had net current assets of RMB42.3 million (31 December 2024: RMB29.3 million), cash and cash equivalents amounted to RMB27.1 million (31 December 2024: RMB2.3 million) and borrowings amounted to RMB46.2 million (31 December 2024: RMB60.5 million). The Group's cash and cash equivalents as at 31 December 2025 were mainly denominated in RMB, USD and HKD. As at 31 December 2025, the Group's borrowings (denominated in RMB and HKD) amounting to RMB6.4 million and RMB39.8 million (31 December 2024: RMB9.9 million and RMB50.6 million) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 3.14% (2024: 4.54%) per annum.

As at 31 December 2025, the Group had a current ratio of 1.5 times (31 December 2024: 1.3 times) and gearing ratio of 0.8 (calculated by dividing total borrowings by total equity) (31 December 2024: 1.4).

As at 31 December 2025, the Group did not have any available unutilised banking facilities (31 December 2024: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

RESTRICTED BANK DEPOSIT

As at 31 December 2025, the Group did not have any restricted bank deposit (31 December 2024: nil).

CAPITAL COMMITMENTS

As at 31 December 2025, the Group did not have any significant capital commitments (31 December 2024: nil).

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any material contingent liabilities or guarantees (31 December 2024: nil).

PLEDGE OF ASSETS

As at 31 December 2025, the Group pledged land use rights and buildings with carrying amount of RMB13.9 million to secure its borrowings of RMB25.8 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any other material acquisitions and disposals of assets, subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Saved as disclosed in this report, during the Reporting Period, the Group did not make any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, as at 31 December 2025, the Group does not have any future plans for material investments and capital assets.

FOREIGN EXCHANGE RISKS

Our Group's foreign exchange risk mainly relates to fluctuations in exchange rates of RMB against our assets and liabilities in currencies other than RMB, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 31 December 2025, the Group had a total of 52 staff (31 December 2024: 69 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments.

The China employees of the Group are required to participate in a central pension scheme (the “**Defined Contribution Schemes**”) operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Defined Contribution Schemes. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group’s contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2024 and 31 December 2025, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2024 and 2025.

For each of the two years ended 31 December 2024 and 2025, the Group did not have any defined benefit plan.

USE OF PROCEEDS IN RELATION TO RIGHTS ISSUE

On 17 June 2025, the Company completed the Rights Issue and on 18 June 2025, the Company issued 242,837,879 rights shares, on the basis of three rights shares for every one share, at a price of HK\$0.25 per rights share (“**2025 Rights Issue**”).

Upon completion of 2025 Rights Issue, the Company received net proceeds of approximately HK\$58.9 million (the “**Net Proceeds**”). The Company intended to apply the Net Proceeds as to: (i) approximately HK\$28.9 million for the repayment of the other borrowings, prioritizing repayment according to the maturity dates of each obligation; and (ii) the remaining approximately HK\$30 million for the Group’s general working capital for the daily operations of its existing principal business, including but not limited to (a) selling and distribution expenses of approximately HK\$17.4 million; (b) administrative expenses of approximately HK\$9.0 million; and (c) research and development expenses of approximately HK\$3.6 million.

Further information of 2025 Rights Issue can be found in the Company’s announcements dated 7 March 2025, 29 April 2025, 4 June 2025 and 17 June 2025, the circular of the Company dated 7 April 2025 and the prospectus of the Company dated 14 May 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the information in relation to the use of the Net Proceeds raised from the 2025 Rights Issue:

Intended use of Net Proceeds	Original allocation of Net Proceeds HK\$ million (approximately)	Utilised amount of Net Proceeds up to 31 December 2025 HK\$ million (approximately)	Unutilised amount of Net Proceeds up to 31 December 2025 HK\$ million (approximately)	Expected time period for the unutilized Net Proceeds
Repayment of other borrowings of the Group	28.9	18.8	10.1	On or before 31 December 2026
Replenishment of general working capital of the Group	30.0	14.3	15.7	On or before 30 June 2027
Total	58.9	33.1	25.8	

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Zhao Jie (“**Mr. Zhao**”), aged 41, was appointed as an Executive Director, Chairperson and Chairperson of the Nomination Committee of the Company on 1 August 2024. Mr. Zhao resigned as the Chairperson of the Nomination Committee of the Company with effect from 30 June 2025 and was appointed as a member of the Remuneration Committee of the Company with effect from 2 July 2025. He is responsible for providing leadership to, and overseeing the functioning of the Board. Mr. Zhao has been appointed as the director of certain subsidiaries of the Company.

Mr. Zhao obtained an EMBA degree from the Chinese University of Hong Kong in 2025.

He is an entrepreneur with over 10 years of extensive experience in financial management and capital market services. In 2006, Mr. Zhao co-founded Shenzhen Zero Latitude Digital Technology Co., Ltd.* (深圳市零緯度數位科技有限公司), which was principally engaged in the provision of comprehensive customer relationship management solutions and strategic marketing planning services to governments and real estate companies. In 2009, Mr. Zhao founded Shenzhen Tengwei Chuangzhan New Media Co. Ltd.* (深圳市騰為創展新媒體有限公司), which was principally engaged in the creation of exhibition content specifically for government and real estate companies. From 2014 to 2019, Mr. Zhao served as the managing director of Shenzhen Huayang Capital Holdings Co., Ltd.* (深圳華洋資本控股有限公司), responsible for project investment and financing and coordinating internal operations. From 2019 to 2020, he served as the managing director of Four Seas Changshi Joint Holdings Co., Ltd.* (四海長實聯合控股有限公司), providing professional financial advisory services. Since 2020, Mr. Zhao has been the founder and chairman of Shenzhen Jieshengsi Consulting Co., Ltd.* (深圳杰晟思顧問有限公司), which is principally engaged in the provision of mergers and acquisitions consulting, financial consulting, and capital market advisory services.

Madam Maeck Can Yue (alias Mäck GEB., Ji Can Yue and Ji Can Yue) (“**Madam Maeck**”), aged 58, is a Founder, and was appointed as an Executive Director, Chairperson, Chief Executive Officer and Chairperson of the Nomination Committee of the Company on 16 May 2017. She resigned as the Chairperson and the Chairperson of Nomination Committee of the Company with effect from 1 August 2024. Madam Maeck was appointed as a member of the Nomination Committee of the Company with effect from 30 June 2025. She is responsible for the Group’s overall corporate management and business development strategies. Madam Maeck has been appointed as the director of certain subsidiaries of the Company.

Madam Maeck has over 20 years of experience in kitchenware industry. Prior to her establishment of Miji GmbH in June 2000 and Miji Electronics and Appliances (Shanghai) Ltd. in October 2001, Madam Maeck had worked for OBI GmbH & Co. Deutschland KG, a company principally engaged in the business of home improvement supplies retailing as a director of marketing and development, where she was mainly responsible for marketing and development, from May 1998 to April 2000; and for Leica Microsystems Ltd., a company principally engaged in the business of manufacturing optical microscopes, equipment for the preparation of microscopic specimens and related products, from January 1996 to March 1998.

Madam Maeck obtained a Diploma of Enterprise Management in May 1996 from the Fachhochschule für Wirtschaft Berlin.

In 2001, Madam Maeck was recognised by the Shanghai Municipal Personnel Bureau, the Predecessor of Human Resources and Social Security (人力資源和社會保障局) as one of the scholars studied abroad who was eligible for preferential treatment for investment in Shanghai, China. She was conferred the title of Adjunct Professor on 1 September 2015 and appointed as Advisor for Master of International Business for the period from April 2017 to March 2020 by Shanghai University of International Business and Economics. She was also selected as one of the Leading Talents of Minhang District (閔行領軍人士), Shanghai, China by the Shanghai Minhang District Human Resource and Social Security Bureau (上海閔行區人力資源和社會保障局) in 2013. Madam Maeck also received several awards in recognition of her entrepreneurship, including the 5th Shanghai Science and Technology Entrepreneur (Women Entrepreneur) Innovation Award (第五屆上海科技企業家(女企業家)創新獎) in 2010, and Shanghai Business Outstanding Entrepreneur (上海商業優秀企業家) for 2016. In 2023, Madam Maeck was awarded the Magnolia Silver Award by the Shanghai Municipal People’s Government in recognition of her contribution to the city’s development.

* For identification purpose only

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Wu Huizhang (“Mr. Wu”), aged 46, was appointed as an Executive Director on 25 January 2021. He graduated from Jimei University (集美大學) with a Diploma in Port Administration. Mr. Wu has over 20 years of experience in export trading and enterprise management. Mr. Wu has been working as the General Manager of Xiamen Hezhong Zhiyuan Enterprise Management Co., Ltd.* (廈門合眾致遠企業管理有限公司) (a company principally engaged in the provision of business consultancy services) since June 2017; and the Supervisor of Fuzhou Sihui Trading Co., Ltd.* (福州斯惠貿易有限公司) (“**Fuzhou Sihui**”) (an export trading company) since May 2017. Mr. Wu also worked as the Deputy General Manager of Fuzhou Sihui from March 2010 to June 2016; and the Manager of Operation Department of Xiamen China Trade International Freight Forwarding Co., Ltd.* (廈門中貿國際貨運代理有限公司) from September 2000 to January 2010. Mr. Wu was responsible for operation, strategic planning, financial and risk management of the aforesaid companies.

NON-EXECUTIVE DIRECTOR

Dr. Zheng Jingwen (“Dr. Zheng”), resigned as a Non-Executive Director of the Company with effect from 2 July 2025. For the further details of resignation of Dr. Zheng, please refer to the Company’s announcement dated 2 July 2025.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Shih-fang (“Mr. Wang”), resigned as an Independent Non-Executive Director, a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 2 July 2025. For the further details of resignation of Mr. Wang, please refer to the Company’s announcement dated 2 July 2025.

Mr. Yan Chi Ming (“Mr. Yan”) resigned as an Independent Non-Executive Director, Chairperson of the Remuneration Committee and a member of the Audit Committee of the Company with effect from 31 May 2024. For further details of resignation of Mr. Yan, please refer to the Company’s announcement dated 31 May 2024.

Mr. Li Wei (“Mr. Li”), resigned as an Independent Non-Executive Director and a member of the Audit Committee of the Company with effect from 12 January 2026. For the further details of resignation of Mr. Li, please refer to the Company’s announcement dated 12 January 2026.

Mr. Lin Dongming (“Mr. Lin”), aged 54, was appointed as an Independent Non-Executive Director, Chairperson of the Remuneration Committee and a member of the Audit Committee of the Company on 31 May 2024. Mr. Lin was appointed as a member of the Nomination Committee of the Company with effect from 2 July 2025.

He has extensive experience in corporate management and has been working in government departments of the People’s Republic of China and sizable state-owned enterprise for 30 years. From 2004 to 2018, Mr. Lin served as the managing director of Sinotruk (Hong Kong) International Investment Limited (a subsidiary of Sinotruk (Hong Kong) Limited (stock code: 3808), which is a company listed on the Stock Exchange), responsible for its international business and investment and corporate finance activities. Mr. Lin obtained an executive master degree in business administration from Cheung Kong Graduate School of Business.

Mr. Lin served as Member of the Standing Committee of the 15th Jinan Political Consultative Conference and currently also serves as Member of the 13th Shandong Provincial Political Consultative Conference; the chairman of the Jinan Association of Hong Kong; the vice president of Association of Shandong in Hong Kong, China; the vice chairman of the supervisory board of the Shandong CPPCC Members Association in Hong Kong; the honorary chairman of the Hong Kong Shandong Chamber of Commerce and the natives general associations of Qingdao, Weihai, Yantai and Linyi; the vice president of overseas friendship associations of Jinan, Yantai and Zaozhuang; and the honorary president of Jinan Chamber of Commerce in Guangdong Province etc.

Mr. Lin was an independent non-executive director of Kong Shum Smart Management Group (Holdings) Limited (formerly known as Shi Shi Services Limited) (stock code: 8181) for the period from June 2021 to November 2024, which is a company listed on the GEM of the Stock Exchange. Mr. Lin was also an executive director and a non-executive director of Finet Group Limited (stock code: 8317) for the period from August 2020 to October 2021 and October 2021 to October 2022, respectively, the securities of this company are listed on the GEM of the Stock Exchange.

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DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Shen Shujing (“**Mr. Shen**”), aged 41, was appointed as an Independent Non-Executive Director, Chairperson of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee of the Company on 31 May 2024. Mr. Shen was appointed as the Chairperson of the Nomination Committee of the Company with effect from 30 June 2025.

He obtained his Bachelor’s degree in Accounting from Harbin Institute of Technology in September 2005 and his Master’s degree in Applied Accounting and Finance from Hong Kong Baptist University in July 2012. Mr. Shen has over 18 years of experience in the fields of accounting, finance, business development and risk advisory. He has held the position of Finance Controller for the Asia Region at CIMC Wetrans Logistics Technology (Group) Co., Ltd., and Finance Controller at CIMC Goldwide Technology Logistics Group Co., Ltd. since February 2022. Mr. Shen’s role involves overseeing the financial management of the two companies, contributing significantly to their business strategies, and managing their resource allocation and capital structure. Mr. Shen also establishes a robust internal control system for these two companies and conducts regular checks to ensure compliance and risk reduction. From January 2007 to February 2022, he worked for Sinotruk (Hong Kong) International Investment Limited (a subsidiary of Sinotruk (Hong Kong) Limited (stock code: 3808), which is a company listed on the Stock Exchange), where he served as the Head of Finance and assistant to General Manager. From July 2005 to December 2006, he worked as an accountant and tax accountant of China National Heavy Duty Truck Group Co., Ltd. (中國重型汽車集團有限公司). Mr. Shen is an associate member of The Association of International Accountants.

Ms. Zhang Yuanjie (“**Ms. Zhang**”), aged 50, was appointed as a Non-Executive Director on 2 July 2025 and was re-designated as an Independent Non-Executive Director of the Company with effect from 12 January 2026.

Ms. Zhang graduated with a Master of Business Administration from the Hong Kong University of Science and Technology. She has been in the industry for more than 20 years and has extensive experience in corporate consulting, investment and financing, mergers and acquisitions, and restructuring. Ms. Zhang founded Shenzhen Golden Dolphin Consulting Co., Ltd.* (深圳金海豚顧問有限公司) (formerly known as Shenzhen Chief Culture Development Co., Ltd.* (深圳市首席文化發展有限公司)) in 2003 and served as the managing director. The company specializes in corporate consulting business and provides strategic positioning, corporate marketing and investment and financing consulting services to companies in the Asia-Pacific region. In 2015, she founded Shenzhen Hongyujun Culture Communication Co., Ltd.* (深圳市泓雨君文化傳播有限公司) and served as the managing director. She also launched the “Galaxy Capital Accelerator” (銀河資本加速器) brand, specializing in corporate training and coaching business, providing capital market information and coaching services to entrepreneurial students through new media, conferences, and course services.

SENIOR MANAGEMENT

Ms. He Meihua (“**Ms. He**”) resigned as a Financial Controller of our Group with effect from 2 July 2025. For further details of resignation of Ms. He, please refer to the Company’s announcement dated 2 July 2025.

Ms. Meng Xiangli (“**Ms. Meng**”), aged 48, is a Financial Controller of our Group. She joined our Group on 2 July 2025 and is responsible for overseeing financial management of our Group. She has also been appointed as a director of one of the Company’s subsidiaries. Ms. Meng holds a bachelor’s degree in economics (majoring in finance) from Shenzhen University* (深圳大學). She is an experienced financial professional with 20 years of accounting and financial management experience. From 2004 to 2006, she worked as an accounting supervisor at Shenzhen Bopeng Engineering Consulting Co., Ltd.* (深圳市渤鵬工程諮詢有限公司), overseeing financial accounting and accounting management. From 2007 to 2014, she worked as a financial manager at Shenzhen Anyitong Technology Development Co., Ltd.* (深圳市安億通科技發展有限公司), where she was responsible for financial management, including budget preparation, cost control and financial analysis. From 2014 to 2020, she served as the financial controller of Shenzhen Tengying Fund Management Co., Ltd.* (深圳騰盈基金管理有限公司), responsible for the group’s financial strategic planning, fund management and risk control. From 2021 to date, she has served as a financial consultant at Shenzhen Jieshengsi Consulting Co., Ltd.* (深圳傑晟思顧問有限公司), mainly responsible for providing financial consulting services to corporate clients in Hong Kong and Mainland China.

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CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return.

ADOPTION AND COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the “**CG Code**”), contained in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Save for the deviation below, the Board is of the view that the Company has complied with the code provisions set out in the CG Code for the year ended 31 December 2025.

Pursuant to code provision C.1.5 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Wei, an independent non-executive Director, did not attend the extraordinary general meetings of the Company held on 29 April 2025 and 3 September 2025, and the annual general meeting of the Company held on 26 June 2025 due to his other business engagements. However, there were sufficient Directors, including executive Directors, independent non-executive Directors and non-executive Director, present to enable the Board to develop a balanced understanding of the views of the Company’s shareholders. The Board believes that the temporary absences in these meetings will not have any material adverse effect on the Company’s corporate governance standards, the normal functioning of the Board or the daily business operations.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of the shareholders and investors.

BOARD OF DIRECTORS

As the date of this report, the Board comprises six Directors, consisting of three executive Directors and three independent non-executive Directors. The Directors during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. Zhao Jie (*Chairperson*)

Madam Maeck Can Yue (*Chief Executive Officer*)

Mr. Wu Huizhang

Non-executive Director

Dr. Zheng Jingwen (resigned with effect from 2 July 2025)

Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)

Independent non-executive Directors

Mr. Wang Shih-fang (resigned with effect from 2 July 2025)

Mr. Li Wei (resigned with effect from 12 January 2026)

Mr. Shen Shujing

Mr. Lin Dongming

Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)

CORPORATE GOVERNANCE REPORT

Biographical information of the Directors and the details of the composition of the Board are set out below and in the Corporate Information, Directors and Senior Management Profile and Directors' Report respectively of this annual report.

Mr. Shen Shujing, Mr. Lin Dongming, Mr. Zhao Jie, Dr. Zheng Jingwen and Ms. Zhang Yuanjie who were appointed to the Board on 31 May 2024, 31 May 2024, 1 August 2024, 2 September 2024 and 2 July 2025 respectively, had prior to their appointment obtained legal advice from an external law firm as required under Rule 3.09D of the Listing Rules on 29 May 2024, 29 May 2024, 29 July 2024, 26 August 2024 and 27 June 2025 respectively. Each of them has confirmed his/her understanding of the obligations as a Director of the Company.

During the Reporting Period, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Independent non-executive Directors are identified in all of the corporate communications in which the names of the Directors are disclosed. An updated list of the Company's Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

The Company has received confirmations from all Directors that they have given sufficient time and attention to the affairs of the Company for the Reporting Period. Directors have disclosed to the Company at the time of their appointments and in a timely manner for any changes, the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved. To the best knowledge of the Board, the Directors do not have any financial, business, family or other material or relevant relationship among members of the Board or hold any cross-directorships or have significant links with other members of the Board through involvement in other companies or bodies as at 31 December 2025. In addition, none of the members of the Board holds more than six directorships in listed companies (including the Company).

Chairman and Chief Executive Officer

According to C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. During the Reporting Period, the positions of Chairman and Chief Executive Officer were held by Mr. Zhao Jie and Madam Maeck Can Yue, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Appointment and Re-Election of Directors

The non-executive Director and each of the independent non-executive Directors have entered into a service contract or an appointment letter with the Company for a term of one year, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

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

The articles of association of the Company also provided that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting.



CORPORATE GOVERNANCE REPORT

Responsibility and Delegation

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms.

The Board monitors the development and financial performance and sets strategic directions of the Group's business.

Matters including material investment decisions, approving financial statements, declaration of dividend, are reserved to the Board. The management implements the Board's decisions, makes business proposals and reports to the Board on the overall performance of the Group. Daily operations and administration of the business are delegated to the executive Directors and the management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

Board Meetings and General Meeting

The Board will make arrangements for holding at least four regular Board Meetings during each financial year.

At least 14 days' notice of a regular Board meeting is given to all Directors to provide them with an opportunity to attend and all Directors are given an opportunity to include matters in the agenda for a regular meeting. For other Board and committee meetings, a notice is generally given pursuant to the Company's articles of association and the respective terms of reference of the Board committee. The agenda and accompanying board papers are dispatched to the Directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Chairperson conducts the proceedings of the Board at all Board meetings. He/she ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. All Directors have access to the company secretary of the Company (the "**Company Secretary**"), who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matters. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Management is invited to join the Board meetings and committee meetings, where appropriate, to provide information to the Directors to enable the Board and its committees to make informed decisions. Where queries are raised by Directors, prompt and full responses will be given if possible.

If a Director has a material interest in a matter of significant nature to be considered by the Board, a physical Board meeting will be held to discuss such matter instead of seeking Directors' written consent by way of circulation of written resolution. The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. Independent non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. Final version of these minutes is open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, 14 Board meetings were held. The respective attendances of the Directors at the Board meetings are set out in the table below:

Name of Directors	Attendance Board Meetings
Executive Directors	
Mr. Zhao Jie	14/14
Madam Maeck Can Yue	11/14
Mr. Wu Huizhang	8/14
Non-executive Director	
Dr. Zheng Jingwen (resigned with effect from 2 July 2025)	5/8
Independent Non-executive Directors	
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	9/9
Mr. Li Wei (resigned with effect from 12 January 2026)	5/14
Mr. Lin Dongming	13/14
Mr. Shen Shujing	14/14
Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)	4/5

During the year ended 31 December 2025, 3 general meetings were held. The respective attendances of the Directors at the general meetings are set out in the table below:

Name of Directors	Attendance General Meeting
Executive Directors	
Mr. Zhao Jie	3/3
Madam Maeck Can Yue	3/3
Mr. Wu Huizhang	3/3
Non-executive Director	
Dr. Zheng Jingwen (resigned with effect from 2 July 2025)	2/2
Independent Non-executive Directors	
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	2/2
Mr. Li Wei (resigned with effect from 12 January 2026)	0/3
Mr. Lin Dongming	3/3
Mr. Shen Shujing	3/3
Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)	1/1

Confirmation of independence of Independent Non-Executive Directors

All the independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules save for Ms. Zhang Yuanjie. The Company has received a written confirmation of independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules which has been reviewed by the Nomination Committee of the Company. Both the Nomination Committee of the Company and the Board consider all independent non-executive Directors to be independent during the Reporting Period and that they remain so as the date of this Report.

CORPORATE GOVERNANCE REPORT

On 12 January 2026, Ms. Zhang Yuanjie (“**Ms. Zhang**”) was re-designated from a non-executive Director to an independent non-executive Director. Although Ms. Zhang had previous directorship which is or may be regarded as falling within the independence guideline in Rule 3.13(7) of the Listing Rules among the factors affecting independence under those rules, the Board is satisfied that the re-designation of Ms. Zhang as an independent non-executive Director is justified for the following reasons:

- (i) Ms. Zhang has not been involved in any daily operations, management and business of the Group and has played a valuable role in bringing objectivity and independent judgement to the Board’s deliberations;
- (ii) Ms. Zhang did not or does not currently have any financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company; and
- (iii) there are no other factors that affect or may affect Ms. Zhang’s independence in acting as an independent non-executive Director.

In light of the above, notwithstanding Ms. Zhang’s relationship with the Company as a non-executive Director prior to her re-designation as an independent non-executive Director, the Company is in the opinion that her previous connection with the Company will not affect her independence as an independent non-executive Director and she will be able to carry out her duties as an independent non-executive Director impartially and independently.

Induction and Continuous Professional Development of Directors

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director’s responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company’s expenses or reading relevant materials, in order to keep themselves abreast of the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities.

During the year ended 31 December 2025, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by professional organization	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Zhao Jie	✓	✓
Madam Maeck Can Yue	✓	✓
Mr. Wu Huizhang	✓	✓
Non-executive Director		
Dr. Zheng Jingwen (resigned with effect from 2 July 2025)	✓	✓
Independent Non-executive Directors		
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	✓	✓
Mr. Li Wei (resigned with effect from 12 January 2026)	✓	✓
Mr. Lin Dongming	✓	✓
Mr. Shen Shujing	✓	✓
Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)	✓	✓

Note: The Company received from each of the Directors the confirmations on taking continuous professional training.

Directors' insurance

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors to comply with the requirement of C.1.7 of the CG Code.

BOARD COMMITTEES

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of three Board committees, and details of which are set out below. The Board committees are provided with sufficient resources to discharge their duties and, can seek independent professional advice in appropriate circumstances at the Company's expense.

Each committee consists of Directors and has its terms of reference. The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the designated website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.aihealth-technology.com.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code.

The principal duties of Audit Committee include, among others, the following:

1. to review the financial statements and reports and consider any significant or unusual items raised by the management or external auditors before submission to the Board.
2. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditors.
3. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
4. to review arrangements which employees of the Company can use to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises independent non-executive Directors only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Shen Shujing (Chairperson), Mr. Lin Dongming and Ms. Zhang Yuanjie (a former non-executive Director and subsequently re-designated as an independent non-executive Director and also appointed as a member of the Audit Committee, both with effect from 12 January 2026).

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the Audit Committee had held two meetings. The respective attendances of the members of Audit Committee are presented as follows:

Members	Attendance
Mr. Shen Shujing (<i>Chairperson</i>)	2/2
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	1/1
Mr. Lin Dongming	2/2
Mr. Li Wei (resigned with effect from 12 January 2026)	1/2
Ms. Zhang Yuanjie (appointed with effect from 12 January 2026)	–/–

During the year ended 31 December 2025, the Audit Committee had performed the following duties:

- reviewed the interim results and report of the Group for the six months ended 30 June 2025, with recommendation to the Board for approval;
- reviewed the annual results and report of the Group for the year ended 31 December 2024, with recommendation to the Board for approval;
- reviewed the financial matters of the Group, the effectiveness of the Group's risk management and internal control systems;
- reviewed the independent internal control reviewer's findings and recommendations;
- discussed with the external auditors their independence and the nature and scope of the audit;
- reviewed and made recommendation to the Board for approval regarding the reappointment of the external auditor; and
- reviewed the arrangement for employees of the Group to raise concerns about possible impropriety in financial reporting, internal control and other matters.

There is no different view taken by the Audit Committee from the Board regarding the selection, appointment, resignation or dismissal of external auditor.

Subsequent to 31 December 2025 and up to the date of this report, the Audit Committee has also reviewed the annual results announcement and annual report of the Group for the year ended 31 December 2025, as well as the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include, among others, the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, assist the Board in maintaining a board skills matrix, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer.

CORPORATE GOVERNANCE REPORT

In accordance with the amended code provisions of the CG Code which came into effect on 1 July 2025, the Nomination Committee has taken up additional duties, which include to assist the Board in maintaining a board skills matrix, to review the time commitment and contribution to the Board by each Director and to support the regular evaluation of the performance of the Board.

A member of the Nomination Committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the resolution where he or any of his associates has any material interest, including the recommendation on nomination for appointment of such person as a Director. As at the date of this report, the Nomination Committee comprises one executive Director, namely, Madam Maeck Can Yue and two independent non-executive Directors, namely, Mr. Shen Shujing (Chairperson) and Mr. Lin Dongming.

The Nomination Committee will make arrangements for holding at least one meeting during each financial year. During the year ended 31 December 2025, the Nomination Committee has held three meetings. The respective attendances of the members of Nomination Committee are presented as follows:

Members	Attendance
Mr. Zhao Jie (<i>Chairperson</i>) (resigned with effect from 30 June 2025)	2/2
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	3/3
Mr. Shen Shujing (<i>Chairperson</i>) (appointed as Chairperson with effect from 30 June 2025)	3/3
Madam Maeck Can Yue (appointed with effect from 30 June 2025)	1/1

During the year ended 31 December 2025, the Nomination Committee had performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assessed the independence of independent non-executive Directors including the independence of non-executive Director prior to re-designation to independent non-executive Director;
- nominated a candidate to the Board based on the nomination procedures, process, criteria set out in the Nomination Policy for the appointment of new non-executive Director; and
- reviewed and made recommendation to the Board on re-election of retiring Directors at annual general meeting.

Nomination Policy

The Board adopted the nomination policy (the "**Nomination Policy**") on 24 August 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

CORPORATE GOVERNANCE REPORT

The process to identify potential candidates for the Board would be as follows:

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") with written terms of reference in compliance with the CG Code.

As at the date of this report, the Remuneration Committee comprises one executive Director, namely, Mr. Zhao Jie, two independent non-executive Directors, namely, Mr. Lin Dongming (Chairperson) and Mr. Shen Shujing. The principal duties of the Remuneration Committee include, among others, the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and
9. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee will make arrangements for holding at least one meeting during each financial year. During the year ended 31 December 2025, the Remuneration Committee has held three meetings. The respective attendances of the members of Remuneration Committee are presented as follows:

Members	Attendance
Mr. Lin Dongming (<i>Chairperson</i>)	2/3
Mr. Wang Shih-fang (resigned with effect from 2 July 2025)	2/2
Mr. Shen Shujing	3/3
Mr. Zhao Jie (appointed with effect from 2 July 2025)	1/1

During the year ended 31 December 2025, the Remuneration Committee had performed the following duties:

- reviewed and made recommendation to the Board on policy and structure for Directors' and senior management's remuneration;
- reviewed and approved the management's remuneration proposals with reference to the corporate goals and objectives of the Board;
- reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management; and
- reviewed and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, including reviewing and making recommendation to the Board on the granting of share options to the senior management and employees of the Group.

For the year ended 31 December 2025, details of any remuneration paid to the members of senior management (excluding Directors) by band and other remuneration related matters as required to be disclosed pursuant to code provision E.1.5 of part 2 of the CG Code are set out below:

Remuneration bands	Number of senior management
Nil to RMB250,000	2
RMB250,001 to RMB500,000	–

Further details of Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to paragraph 25 of Appendix D2 to the Listing Rules are set out in note 32 and note 10(b) to the consolidated financial statements.

Directors' Remuneration Policy

A directors' remuneration policy has been adopted. It aims to set out the Company's policy in respect of remuneration paid to executive Directors and non-executive Directors. The Directors' remuneration policy sets out the remuneration structure that allows the Company to attract, motivate and retain qualified Directors who can manage and lead the Company in achieving its strategic objective and contribute to the Company's performance and sustainable growth, and to provide Directors with a balanced and competitive remuneration. The remuneration policy is, therefore, aiming at being competitive but not excessive. To achieve this, remuneration package is determined with reference to a matrix of factors, including the individual performance, qualification and experience of Directors concerned and prevailing industry practice. It will be reviewed and, if necessary, updated from time to time to ensure its continued effectiveness.

CORPORATE GOVERNANCE REPORT

Summary of matters relating to the Share Option Scheme reviewed by the Remuneration Committee

During the Reporting Period, the Remuneration Committee considered, approved and made recommendation to the Board in relation to the grant of share options to senior management and employees of the Group (“**Grantees**”). For details of the share options granted during the Reporting Period, please refer to the section headed “Share Option Scheme” within the Directors’ Report in this Annual Report.

There is no performance target attached to the share options granted to the Grantees. The purpose of the share option scheme adopted by the Company on 24 June 2018 (the “**Share Option Scheme**”) is to recognise and acknowledge the contributions that the eligible participants (including senior management) have made or may make to the Group, and to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group, as well as, to attract and retain the eligible participants whose contributions are, will or are expected to be beneficial to the Group. The number of share options to be granted is based on the work performance and potential contributions of the Grantees and no additional performance target is imposed before the share options are vested to the Grantees. Therefore, the Remuneration Committee was of the view that notwithstanding the absence of performance target, the grant of the share options aligns with the purpose of the Share Option Scheme.

The share options granted are not subject to any clawback mechanism but shall lapse and/or be cancelled (to an extent not already exercised) immediately in the event that the Grantees, who is an employee of the Group (including any senior management), ceases to be an employee of the Group on the ground including, but without limitation to, that he or she has been guilty of serious misconduct. The Remuneration Committee was of the view that a specific clawback mechanism is not necessary, having considered that the lapse and cancellation of the share options upon the Grantees ceasing to be an eligible participant under the Share Option Scheme is in line with the purpose of the Share Option Scheme and in the interests of the Company.

CORPORATE GOVERNANCE FUNCTION

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regularity requirements.

The Board has undertaken the day-to-day responsibility for all corporate governance function of the Group. All members of the Board are responsible for performing the corporate governance duties set out in the written terms of reference adopted by the Board on 24 June 2018 and are as follows:

1. to develop and review the Company’s policies and practices on corporate governance and make recommendation to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
5. to review the Company’s compliance with the CG code and disclosure in the Corporate Governance Report.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group’s performance, position and prospects.

CORPORATE GOVERNANCE REPORT

Management shall provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of financial and other information presented before the Board for approval. It provides the Board with updates giving a balanced and understandable assessment of the Group's performance, position and prospects to assist the Board as a whole and each Director to discharge their duties.

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Reporting Period, the Directors have:

- prepared the consolidated financial statements based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgements and estimates that were prudent, fair and reasonable.

Directors are 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 as referred to in Code Provision D.1.3 of the CG Code.

A statement by the auditor about their reporting responsibilities on the consolidated financial statements is included in the Independent Auditor's Report from pages 81 to 84 of this report.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Company's articles of association. All Directors have access to the advice and service of the Company Secretary to ensure that board procedures and all applicable laws, rules and regulations are followed.

Ms. Tse Sau San ("**Ms. Tse**") has been appointed as the Company Secretary with effect from 10 January 2025. Ms. Tse is not a full time employee of the Company, the primary person at the Company whom Ms. Tse shall be contacted in respect of company secretarial matters is Mr. Zhao Jie, the executive Director and the Chairperson of the Board.

Being the Company Secretary, Ms. Tse plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Ms. Tse is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors. During the Reporting Period, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' AND RELEVANT EMPLOYEES' 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 code of conduct governing securities transactions by the Directors.

Specific enquiry has been made to all Directors and all Directors have confirmed that they had fully complied with the required standard as set out in the Model Code during the year ended 31 December 2025.



CORPORATE GOVERNANCE REPORT

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees was noted by the Company during the year ended 31 December 2025.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board emphasizes on the importance of risk management and internal controls on the Group's business operations and development and acknowledges its overall responsibility for the risk management and internal control systems and the review of their effectiveness.

The Board evaluates and determines the nature and extent of risks it is willing to accept, while achieving the Group's strategic business objectives. The Board also ensures implementation and maintenance of effective risk management and internal control systems; and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the responsibility to physically implement and maintain the risk management and internal control systems to the management of the Company. The management, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control system, which aims to manage and reduce (i) risks associated with the Group's daily operations; (ii) risks of failing to achieve business objectives; (iii) risks of asset misappropriation; and (iv) risks of making potential material misstatements or losses. However, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or losses.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. The Company currently engages external independent professionals to review the Group's system of internal controls and risk management annually and will further enhance the Group's internal control and risk management systems as appropriate. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

In relation to the handling and dissemination of inside information, the Group has implemented an information disclosure policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Reporting Period, the Group engaged an independent consulting firm to conduct annual review on the effectiveness of its risk management and internal control system covering all material controls in area of financial, operational and compliance controls. The independent consulting firm's review covers, among other steps, a review of the Group's relevant policies and procedures, collaborative interviews, document inspection, walkthrough tests, and sample testing. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; and (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 25 February 2022.

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy.

In respect of the gender diversity of the Board, as at the date of the Annual Report, two of the six Directors of the Company is female, representing 33% of the Board. The Company has achieved on a diverse Board during the period and will continue implementing the board gender diversity policy in the future to enhance the overall performance of the Board and the effectiveness of decision-making. It is expected that the ratio of female Directors will remain at 33% in the following years. The Company will continue its nomination policy to select suitable candidates with no gender limitation to be newly appointed Directors in the next few years.

CORPORATE GOVERNANCE REPORT

WORKFORCE DIVERSITY POLICY

The Group strictly adheres to fair and appropriate employment practices and labour standards. With an anti-discriminatory and equal-opportunity policy in place, the Group provides job applicants and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age.

As at 31 December 2025, total workforce (excluding senior management) of the Group comprised of 48% female and 52% male, whereas senior management comprised of 100% female and 0% male. The current gender diversity of workforce was appropriate, taking into account the business models and operational needs.

Hence, the Company has already achieved gender diversity and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the Company, which include market insight, creativity and innovation, and improved problem-solving. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities, such as men's proficiency in mathematics and women's proficiency in verbal and interpersonal skills. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation as proved by research. Moreover, a gender diverse team produces high quality decisions. Although there may be some mitigating circumstances where gender diversity can be very hard to achieve (for instance, male workers are more commonly seen regarding physical labor and female workers are more often seen during psychological consultation), the Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competences in the future.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

The Company has established mechanisms to ensure that independent view and input are available to the Board. The following mechanisms are reviewed annually by the Board, through its Nomination Committee, to ensure their effectiveness:

1. The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules) from time to time. Each Board committee shall comprise a majority of independent non-executive Directors.
2. The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and also continued independence of existing independent non-executive Directors and their commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule of 3.13 of the Listing Rule, and to disclose the number and nature of offices held by them in public companies or organizations and other significant commitments.
3. All Directors are encouraged to freely express their independent views and constructive challenges during the Board/Board committee meetings.
4. A Director (including independent non-executive Director) shall not vote or be counted in the quorum on any Board resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest.
5. Independent non-executive Directors should not be involved in the daily management of the Company nor in any relationship or circumstance which would affect the exercise of their independent judgment.
6. The chairman of the Board shall meet with independent non-executive Directors without the presence of other Directors at least once annually to ensure that the independent non-executive Directors are able to voice their concerns and bring an independent judgement to the Company's affairs.

7. Directors (including independent non-executive Directors) are entitled to seek further information and make enquiries with the management on the matters to be discussed at meetings of the Board or Board committee and may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board has reviewed and considered that the above mechanisms are effective in ensuring that independent views and input are available to the Board for them to perform their duties.

WHISTLEBLOWING POLICY AND ANTI-CORRUPTION POLICY

The Company adopted a whistleblowing policy which sets out guidance to facilitate employees of the Company and other stakeholders to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters relating to the Group. The Company has also adopted the anti-corruption policy, which sets out that the Directors and all employees of the Group are obliged to comply with applicable anti-corruption laws, regulations and codes of declaration of interests to ensure that the reputation of the Group is not undermined by any fraud, disloyalty or corruption and to demonstrate the Group's zero tolerance principle to corruption, in order to promote and support anti-corruption laws and regulations.

Further disclosures of whistleblowing and anti-corruption are set out in the Environmental, Social and Governance Report in this annual report.

AUDITOR'S REMUNERATION

The remunerations in respect of services fees for audit services provided by the Company's auditors for the year ended 31 December 2025 are as follows and also included in note 9 to the consolidated financial statements.

	RMB'000
Audit services	1,000
Non-audit services	
– related to rights issue	188

SHAREHOLDERS' RIGHTS

(a) Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the articles of association of the Company, one or more shareholders who hold in aggregate 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 shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to the articles of association of the Company, an annual general meeting of the Company and an extraordinary general meeting of the Company called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting of the Company shall be called by not less than 14 days' notice in writing. Pursuant to the CG Code, written notice of an annual general meeting of the Company and written notice of an extraordinary general meeting of the Company shall be sent by the Company to all shareholders at least 20 clear business days and 10 clear business days respectively before the meeting. Business day under the Listing Rules means any day on which the Stock Exchange is open for business of dealing in securities.

CORPORATE GOVERNANCE REPORT

(b) Procedures for members to propose a person for election as a director of the Company

The procedures for the shareholders of the Company to propose a person for election as a director of the Company are available and accessible on the Company's website at www.aihealth-technology.com.

(c) Procedures for directing enquires to the Company

To direct enquiries to the Board, the shareholders of the Company should submit his/her/its enquires in writing with contact details (including, your registered name, address and telephone number, etc.) to the Company Secretary at the following:

By post to the principal place of business in Hong Kong at Flat E, 15/F., Leahander Centre, 28 Wang Wo Tsai Street, Tsuen Wan, New Territories, Hong Kong.

Fax: (852) 3188 6690

(d) Matters relating to share registration

For share registration related matters, such as share transfer and registration, change of name and address of shareholders of the Company, loss of share certificates or dividend warrants, the shareholders of the Company can contact the Hong Kong branch share registrar and transfer office at the following:

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining effective communication with the shareholders of the Company. The Company establishes various communication tools to ensure the shareholders of the Company are kept well informed of timely information of the Company. These include the annual general meeting, extraordinary general meetings, the annual and interim reports, announcements, circulars and notices. Such documents are accessible on the Company's website at www.aihealth-technology.com.

SHAREHOLDERS' COMMUNICATION POLICY

Purpose

The Company recognises the importance of providing current and relevant information to its shareholders (the "**Shareholders**"). This shareholders' communication policy (the "**Shareholders' Communication Policy**") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

General Policy

The board of directors of the Company (the "**Board**") shall maintain an on-going dialogue with Shareholders and will regularly review the Policy to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Information is communicated to the Shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and other corporate publications on the Stock Exchange's website and corporate communications on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (<http://www.aihealth-technology.com>).

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Flat E, 15/F., Leahander Centre, 28 Wang Wo Tsai Street, Tsuen Wan, New Territories, Hong Kong or through the Company's share registrar, Tricor Investor Services Limited.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the Stock Exchange's website immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Board has conducted a review of the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period. Having considered the multiple channels of communication in place as detailed above, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented during the Reporting Period and is effective.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 24 August 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

After taking into account the Dividend Policy, the Board does not recommend the payment of final dividend for the Reporting Period.

It is confirmed that all dividend decisions made by the Board were in accordance with the Dividend Policy.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

AI Health Technology Limited and its subsidiaries (collectively, the “**Group**”) presents the Environmental, Social and Governance (“**ESG**”) report. This ESG report is intended to enhance the confidence and understanding of the stakeholders in the Group by sharing information on the Group’s business activities, ESG governance, strategies performances and ongoing commitment to sustainable development.

ABOUT THE GROUP

The Group is engaged in the development, manufacturing and selling of kitchen appliances and selling of healthcare products in the People’s Republic of China (the “**PRC**”). The Group’s revenue is substantially derived from the PRC market.

REPORTING PERIOD

This ESG report highlights the Group’s ESG performance from 1 January 2025 to 31 December 2025 (the “**Reporting Period**” or the “**Year**”).

REPORTING STANDARD

This ESG report was prepared with reference to the Environmental, Social and Governance Reporting Code (the “**ESG Reporting Code**”) as described in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). An assessment on the applicability and materiality of the relevant key performance indicators under the ESG Reporting Code has been conducted.

REPORTING PRINCIPLES

The reporting principles of this ESG report emphasise the following areas:

- **Materiality:** The threshold at which the ESG issues become sufficiently important to investors and other stakeholders is the core content of this ESG report. In compliance with the requirements of materiality principle defined by the Stock Exchange, the ESG issues considered by the board of directors (the “**Board**”) and the ESG working group, stakeholders communication, identification process of substantive issues and the substantive issues are disclosed in the corresponding part of this report.
- **Quantitative:** Targets have been set by the Group to reduce the emissions from business operations and to evaluate the effectiveness of ESG policies and management systems. Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained below.
- **Balance:** The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.
- **Consistency:** Information in this ESG report is consistently presented. If there are any changes in methods or key performance indicators used or other factors affecting a meaningful comparison, these changes will be disclosed in this ESG report.

REPORTING SCOPE

The Group applied the principle of materiality to determine the scope of this ESG report. The scope of this ESG report covers the Group’s business and all entities in the PRC. The Group’s operations outside the PRC were not included in the scope as they do not have significant environmental and social impacts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE

The Group strictly follows its established ESG policies, commitments, strategies and objectives in order to ensure a sustainable business development. The structure of ESG governance mainly comprised of two components, namely the Board and the management team.

The Board holds the overall responsibility for the Group's ESG strategy and reporting by overseeing the overall governance and progress of the Group's ESG management system, policies, commitments, strategies and objectives.

Management of the Group is responsible for the collection and analysis of ESG data, implementation of appropriate strategies to improve the Group's ESG performance, assessment of whether current ESG policies and improvement measures are effective, compliance with relevant ESG laws and regulations and the reporting of major issues to the Board. To assess the effectiveness of the Group's ESG policies, management sets key performance indicators and compares the indicators of current year with those of prior year. Based on the results of this comparison, ESG reports and the feedback from stakeholders, the Board reviews the progress made by the Group against its ESG-related goals and targets. The relevance of ESG-related goals and targets to the Group's business operations are determined by regular communications with stakeholders.

The data and information in this ESG report are sourced from the relevant documents, reports, statistical data, management and operation information collected by the Group. Information relating to the Group's corporate governance structure and practices has been set out in the section headed "Corporate Governance Report" of this annual report.

ESG STRATEGIES

Key ESG strategies adopted by the Group are set out below:

- Identify material and relevant ESG issues through regular communications with stakeholders.
- Perform materiality assessment on the identified ESG issues by considering their potential impact on the environment, society as well as the business operations, financial performance and stakeholders of the Group.
- Prioritise the identified ESG issues and design effective strategies to mitigate these issues.
- Review the effectiveness of ESG strategies on an annual basis.

STAKEHOLDER ENGAGEMENT

The Group values the contributions from its stakeholders as they can bring potential impacts to the Group's business. The Group maintains regular communications with its stakeholders to collect their views on the ESG aspects that they regard as relevant and important. Its key stakeholders include governments and regulatory bodies, shareholders, employees, customers, suppliers and the public society. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, trade exhibitions, surveys, seminars and workshops.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table summarises the main expectations and concerns of the key stakeholders identified by the Group, and the corresponding management responses.

Stakeholders	Expectations	Management responses/ Communication channels
Governments and regulatory bodies	<ul style="list-style-type: none"> • Compliance with laws and regulations • Tax payment in accordance with laws 	<ul style="list-style-type: none"> • Compliance operation • Tax payment in full and on time
Shareholders	<ul style="list-style-type: none"> • Financial results • Corporate transparency • Sound risk control 	<ul style="list-style-type: none"> • To improve profitability • Regular information disclosure • To optimise risk management and internal control
Employees	<ul style="list-style-type: none"> • Career development platform • Salary and benefits • Safe working environment 	<ul style="list-style-type: none"> • Promotion mechanism • Competitive salary and employee benefits • To provide trainings for employees and strengthen their safety awareness
Customers	<ul style="list-style-type: none"> • Logistics and delivery service standards • Customer information security • Customer rights and interests protection 	<ul style="list-style-type: none"> • To get delivery status through product tracking system • Customer privacy protection • Compliance marketing
Suppliers	<ul style="list-style-type: none"> • Integrity cooperation • Business ethics and credibility 	<ul style="list-style-type: none"> • To build a responsible supply chain • To perform the contract according to law
Society and the public	<ul style="list-style-type: none"> • Environmental protection • Employment opportunities 	<ul style="list-style-type: none"> • To reduce environmental pollutions • To provide equal employment opportunities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

With reference to the scopes as required under the ESG Reporting Code and taking into consideration of the Group's business operations, the Group identified the following environmental, social and operating issues that are material and relevant to the Group's business operations during the Reporting Period. If the Group does not implement effective strategies to monitor and solve these issues, these issues may affect the Group's financial condition or operating performance. Further, the Group made a materiality assessment on these environmental, social and operating issues by conducting interviews with its stakeholders.

Environmental issues	Social issues	Operating issues
1. Greenhouse gas emissions	8. Local community engagement	15. Economic value generated
2. Energy consumption	9. Community investment	16. Corporate governance
3. Water consumption	10. Occupational health and safety	17. Anti-corruption
4. Waste	11. Labour standards in supply chain	18. Supply chain management
5. Saving energy measures	12. Training and development	19. Customer satisfaction
6. Use of raw materials and packaging materials	13. Employee welfare	20. Customer privacy
7. Compliance with laws and regulations relating to environmental protection	14. Inclusion and equal opportunities	

The Group prioritised the above-mentioned environmental, social and operating issues in terms of their importance to the Group's stakeholders and business operations.

Importance to the Group's stakeholders and business operations	ESG risks
High	1, 2, 5, 6, 7, 10, 14, 15, 16, 17, 18, 19, 20
Medium	3, 4, 11, 12, 13
Low	8, 9

Based on the results of the Group's materiality assessment, the Group would formulate and implement appropriate strategies to monitor and solve the identified issues and to achieve sustainable business development.

CONFIRMATION AND APPROVAL

The Group endeavours to ensure that all the information presented in this ESG report is accurate and reliable. This ESG report had undergone the internal review process of the Group and was reviewed by the Board.

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and the contents of this ESG report comply with the requirements of the ESG Reporting Code.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of this ESG report or the Group's performances in sustainable development by mailing to West Building No. 2, 3585 Sanlu Road, Pujiang Industrial Zone, Caohejing Hi-tech Park, Shanghai, China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENT

The Group acknowledges its fundamental responsibility to safeguard the environment. In this connection, we have adopted and implemented a series of targeted policies and measures aimed at reducing greenhouse gas emissions (GHG), enhancing energy efficiency, optimising resource utilisation, and promoting sustainable environmental management across its operations.

The Group's business and operational activities are conducted in compliance with applicable environmental laws, regulations and requirements in the PRC. These include key legislations such as the Environmental Protection Law of the PRC, the Law on the Prevention and Control of Solid Waste Pollution, the Law on the Prevention and Control of Water Pollution and the Law on the Prevention and Control of Atmospheric Pollution. The Group strictly abides by such statutory requirements to ensure its operations meet environmental compliance standards.

During the Reporting Period, the Group did not record any material non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against the Group.

A.1 Emissions

To ensure compliance with applicable environmental protection laws and regulations, the Group has formulated and implemented a set of systematic environmental protection policies and management measures. These initiatives are designed to mitigate air and water pollution, enhance energy conservation, and reduce electricity consumption across its operations.

During the Reporting Period, the Group's primary emission sources mainly arose from the consumption of petrol, electricity, paper and water, as well as emissions generated from business travel activities.

(i) Air pollutant emissions

During the Reporting Period, air pollutant emissions were mainly related to petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 3.69 kg (2024: 45.94 kg) of nitrogen oxides (NO_x), 0.07 kg (2024: 0.05 kg) of sulphur oxides (SO_x) and 0.27 kg (2024: 3.24 kg) of respiratory suspended particles (PM).

Air pollutant emissions reduction target

To better manage the Group's ESG performance, the Group has set quantifiable targets for air pollutant emissions as follows:

Environmental indicators	Reduction target	Baseline year	Status
NO _x emission intensity	Reduce 5% by Year 2027	Year 2022	In progress
SO _x emission intensity	Reduce 5% by Year 2027	Year 2022	In progress
PM emission intensity	Reduce 5% by Year 2027	Year 2022	In progress

To reduce air pollutants generated by fuel combustion, the Group controls vehicle usage, optimizes vehicle management, encourages the use of public transportation, and conducts online meetings instead of business trips. Through these measures, the Group has effectively reduced fuel consumption and exhaust emissions, making contributions to environmental protection and sustainable operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) Greenhouse gas (“GHG”) emissions

Scope of GHG emissions ¹	For the year ended 31 December 2025		For the year ended 31 December 2024*	
	Emission (in tCO ₂ e)	Percentage to total emission	Emission (in tCO ₂ e)	Percentage to total emission
Scope 1 Direct emission				
Combustion of petrol for mobile vehicles	13.18	10.4%	9.84	9.2%
Scope 2 Indirect emission				
Purchased electricity	58.09	45.8%	83.95	78.5%
Scope 3 Other indirect emission				
Paper waste disposal ²	2.31	1.8%	0.97	0.9%
General waste disposal	38.30	30.2%	/	/
Water consumption	0.28	0.2%	0.22	0.2%
Business air travel ³	14.81	11.7%	12.03	11.2%
Total	126.97	100.0%	107.00	100.0%

Notes:

* Figures were restated due to percentages' adjustment for year-to-year comparison.

- (1) Emission factors were based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, and the latest released emission factors of China’s regional power grid basis.
- (2) The above emission data does not include the removal of CO₂ contributed by recycling paper.
- (3) CO₂ emissions from the Group’s business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

During the Reporting Period, the Group’s activities resulted in 126.97 tonnes of GHG emissions (2024: 107.00 tonnes), with an intensity of 1.84 tCO₂ per employee (2024: 1.55 tCO₂/employee). Details of the Group’s initiatives to reduce resource consumption and related emissions are outlined below.

These measures have successfully raised employee awareness about resource conservation, contributing to a reduction in GHG emissions compared to the previous year.

During the Reporting Period, the Group did not receive any complaints or warnings regarding GHG emissions.

GHG emissions reduction target

To better manage the Group’s ESG performance, the Group has set quantifiable targets for GHG emissions as follows:

Environmental indicators	Reduction target	Baseline year	Status
GHG emissions	Reduce 5% by Year 2027	Year 2022	In progress

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Petrol consumption

During the Reporting Period, the Group's motor vehicles travelled approximately 49,377.00 km (2024: 31,447.80 km), which consumed a total of 4,937.70 litres of petrol or 71.56 litres of petrol per employee (2024: a total of 3,687.62 litres of petrol or 53.44 litres of petrol per employee) and contributed to 13.18 tonnes (2024: 9.84 tonnes) of carbon dioxide equivalent emissions.

The Group actively encourages its employees to take public transportation such as buses and subways when participating in various business activities. For business activities within a reasonable walking or cycling distance, the Group further advocates low-carbon commuting methods such as walking and cycling. Through these measures, the Group has effectively reduced the use of fuel vehicles and lowered GHG emissions resulting from fuel consumption.

Electricity consumption

During the Reporting Period, the Group consumed a total of 109,482 kWh of electricity or 1,586.70 kWh of electricity per employee (2024: a total of 147,195 kWh of electricity or 2,133.26 kWh of electricity per employee) in connection with its daily business operations, which contributed to 58.09 tonnes (2024: 83.95 tonnes) of carbon dioxide equivalent emissions.

To enhance energy efficiency and reduce power consumption, the Group has adopted a series of energy-saving measures, including installing energy-efficient lighting and electrical equipment, installing automatic control systems to avoid unnecessary power consumption, strengthening daily electricity management, encouraging employees to turn off lights and other electrical appliances when leaving the office and production sites, and raising employees' awareness of energy conservation. Through continuous optimization and strict implementation, the Group has effectively reduced electricity consumption and related carbon emissions, supporting green and low-carbon operations.

Paper consumption

During the Reporting Period, the Group consumed a total of 0.1 tonnes of paper or 0.0016 tonnes of paper per employee (2024: a total of 0.2 tonnes of paper or 0.0029 tonnes of paper per employee) in connection with its daily business operations.

Our Group implements office measures that save paper and are environmentally friendly to minimize GHG emissions and environmental impact caused by paper consumption. The Group encourages its employees to save paper resources in their daily work, access electronic documents on computers and mobile devices, communicate with customers via email and other digital means, use recycled paper as much as possible, and adopt double-sided printing as a standard practice. Through these measures, the Group has effectively reduced paper consumption, minimized the environmental footprint during paper production and processing, and promoted a low-carbon and sustainable office culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water consumption

During the Reporting Period, the Group consumed a total of 481.5 m³ of water or 6.98 m³ of water per employee (2024: a total of 510.0 m³ of water or 7.39 m³ of water per employee) in connection with its daily business operations.

To mitigate the environmental impact associated with water consumption, the Group has promoted water conservation practices among its employees. The Group regularly reminds employees to conserve water in daily operations and to turn off taps promptly after use, thereby effectively raising staff awareness on water saving and sustainable resource utilisation. In addition, the Group has optimised the water-using facilities in offices and operating sites, advocated the economical use of water resources in daily work, and established good habits of water conservation among all staff. Through continuous promotion and supervision, the Group effectively controls water consumption and ensures that water resources are used efficiently and reasonably in line with its business scale.

During the Reporting Period, the Group maintained stable access to water sources that were fit for its intended business purposes and did not experience any water supply issues. In addition, the Group's overall water consumption was reasonable and proportionate to its scale of business operations, with no excessive or disproportionate water usage recorded.

Business air travel

The Group's business nature requires employees to travel by air to other countries for meetings with customers and suppliers. They would only travel by air when necessary and the Group keeps track of their business air travels. During the Reporting Period, business air travels of the Group's employees had contributed a total of 14.81 tonnes (2024: 12.03 tonnes) of carbon dioxide equivalent emission. The frequency of business air travels is directly correlated to the Group's business activities.

To reduce the GHG emissions and environmental impact caused by business travel, the Group strives to minimize unnecessary business travel. The Group actively uses online meetings, video conferences and other digital communication tools to replace face-to-face meetings. We have strengthened the approval process for business travel to ensure that all trips are necessary and reasonable, and encourage employees to give priority to public transportation or low-carbon travel methods when traveling. Through these measures, the Group has effectively reduced fuel consumption, GHG emissions and the overall environmental footprint related to business travel.

(iii) Hazardous waste

During the Reporting Period, the Group generated minimal amount of hazardous waste. The major hazardous waste generated by the Group was waste light tube. To minimise the impact on environment, the Group has engaged a qualified waste collector to handle and collect the hazardous waste produced. The Group will strive to reduce generation of hazardous waste through upgrading technologies whenever possible.

The Group did not receive any complaints or warnings on disposal of its hazardous waste during the Reporting Period, and targets to achieve the same performance in 2026.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(iv) Non-hazardous waste

During the Reporting Period, the Group generated a total of 1.8 tonnes (2024: 2.5 tonnes) of non-hazardous waste and the relevant intensity was 0.03 tonnes (2024: 0.04 tonnes) per employee. The major non-hazardous waste generated by the Group were packaging materials generated from the production process and domestic waste generated in staff quarters and offices. Most of the non-hazardous waste are recycled or sold to recycling company.

The Group regularly reminds its employees to make effective use of resources and try to avoid generating waste. The Group implements waste reduction and classification measures in its daily operations, including promoting paperless office work, using office supplies rationally, reducing the use of disposable products, and collecting and recycling waste such as paper, plastic and packaging materials in a classified manner. By strengthening daily management and enhancing employee awareness, the Group has effectively reduced waste generation, improved the efficiency of resource recycling, and minimized the environmental impact of waste treatment.

During the Reporting Period, the Group did not receive any complaints or warnings on disposal of its non-hazardous waste, and targets to achieve the same performance in 2026.

A.2 Use of resources

The Group adheres to the principles of minimising resource consumption and enhancing utilisation efficiency, with a view to mitigating the potential adverse impacts of its business operations on the environment and natural resources. The Group has adopted a set of guidelines to promote the efficient use of energy, water and other resources, thereby supporting long-term sustainability and reducing its overall environmental footprint.

The Group's total consumption of electricity, water and packaging materials during the Reporting Period together with the relevant conservation measures adopted by the Group are detailed in the section headed "A.1 Emissions" above.

A.3 The environment and natural resources

During the Reporting Period, the Group's business activities did not cause significant adverse impact on the environment and natural resources. To further improve the use of resources, the Group takes the following actions on an ongoing basis:

- keep track of its consumption level of resources;
- review the effectiveness of its conservation measures; and
- design improvement measures.

As a result, the Group's employees are more aware of the importance of using resources efficiently.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate change

Climate change is one of the biggest challenges to the world. The Group acknowledges its responsibility to implement strategies to reduce carbon emissions and mitigate climate change.

The Group strictly adheres to the requirements of Part D “Climate-related Disclosures” of the ESG Reporting Code of the Stock Exchange, refers to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the “International Financial Reporting Sustainability Disclosure Standard No. 2 – Climate-related Disclosures” issued by the International Sustainability Standards Board (ISSB), and focuses on four core elements: Governance, Strategy, Risk Management and Metrics and Targets, managing climate-related matters.

During the Reporting Period, the Group identified the following climate-related risks that may have material impact on the Group’s business operations:

Governance

As the highest decision-making body for Group governance, the Board assumes ultimate responsibility for matters related to climate change. We have incorporated ESG and climate-related matters into the consideration of major decisions. The Board oversees the governance and reporting of the Group’s climate change risk. Key matters include but are not limited to: identification, assessment and management system construction of climate change-related risks, continuous supervision and review of the formulation and completion of climate-related goals, and other core contents.

The management of the Group regularly monitors and determines the climate change risks related to the Group’s business operations and reports to the Board, and provides professional advice and decision support, including on climate change issues. We have established a climate risk assessment system, promoting the daily monitoring and assessment of climate-related risks to ensure the implementation and compliance of all climate action plans.

We regularly arrange ESG-related topic reports and training sessions for the Board and management, including climate change, to help them acquire professional understanding and competence related to ESG and climate change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Strategy

The Group continuously monitors changes in the external environment and dynamically reviews and updates its climate strategy. We have identified a series of climate-related risks and opportunities with significant financial implications and have formulated targeted response measures to mitigate their negative effects. Conduct an in-depth assessment of its direct or indirect impact on the Company's finance from three dimensions: short term (within 3 years), medium term (3-5 years), and long term (more than 5 years).

Type	Description	Period	Potential Impacts	Response Measures	Current Financial Impact
Physical risks					
Acute risk	The severity of extreme weather events (such as cyclones, hurricanes, or floods) is increasing.	Short term	Extreme weather events can directly damage operational sites and facilities, and cause personnel shortages due to traffic disruptions.	<p>We pay close attention to weather warnings and have flexible work arrangements and preventive measures based on the actual conditions of the operation locations.</p> <p>We attach great importance to the safety inspection of equipment and facilities in the operation sites and organize fire safety training and drills.</p>	Increased operating costs
Chronic risk	The sustained higher temperatures.	Long term	High temperatures may affect employees' health and lead to an increase in the operating hours of air conditioners in business premises.	<p>We remind our employees to take precautions against heatstroke and provide them with heatstroke prevention medicines.</p> <p>We install air conditioners in the operation premises and reasonably arrange the opening hours, setting a fixed temperature.</p>	Increased operating costs
Transition risks					
Policy and legal risk	Climate-related laws and regulations have been tightened	Short term to medium term	Increasingly stringent emission reporting obligations have led to a measurable increase in costs associated with establishing and maintaining relevant policies and control procedures.	Pay attention to policy trends and build capabilities in emission measurement, reporting standards and regulatory compliance.	Increased operating costs
Market risk	The market is affected by climate change	Medium term	The price fluctuations of energy resources may affect the operation of the Group.	We strive to save energy and resources, enhance utilization efficiency and minimize operating costs as much as possible.	Increased operating costs
Reputation risk	Stakeholders are concerned about enterprises fulfilling their social responsibilities	Long term	As consumers and businesses become more environmentally conscious, companies that fail to adopt sustainable practices may face reputational damage.	We actively fulfill our social responsibilities, attach great importance to information disclosure and practice sustainable development.	Increased operating costs

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Description	Period	Response Measures	Current Financial Impact
Energy and Source	Replace the old operational equipment with new ones that are more energy-efficient and environmentally friendly	Long	Adopt energy-saving and environmentally friendly office facilities and equipment to reduce unnecessary waste of energy and resources	Decreased operating costs
	Shift the energy required for operation to clean and renewable energy	Long	Gradually upgrade fuel vehicles to new energy vehicles, control vehicle usage, and reduce fuel consumption	Decreased operating costs

Given that the Stock Exchange provides relief (including reasonable information relief, capacity relief and financial impact relief), this report does not disclose the details of the financial impact and climate-related scenario analysis for the time being, but mainly provides qualitative descriptions. Furthermore, we have yet to implement the climate-related transformation plans. The Group commits to continuously enhancing the relevant capabilities and gradually improving them in future reports.

Risk Management

We have established a structured and integrated framework to identify, assess, respond to, monitor, and continuously improve our management of climate-related risks. This process is embedded within our enterprise risk management system and reviewed regularly to ensure its effectiveness.

Risk Identification	We comprehensively identify potential climate-related risks that may affect us from important aspects such as business strategy, operations and financial performance.
Risk Assessment	We use standardized scoring methods to assess its potential financial, operational and reputational impacts and the time range of their impacts, and determine the priority actions for response based on the risk level.
Risk Response	We formulate and implement appropriate actions to mitigate, transfer, accept or utilize identified climate risks. For high-priority risks, we have designed specific action plans.
Monitoring and Reporting	We continuously track the effectiveness of risk response measures and ensure that they are reported to management and the Board in a timely manner. We review the risk status and response progress at the business level once a quarter and at the board level once a year. In the event of significant changes in risks or the emergence of new risks, they will be promptly elevated to the senior management for control.
Continuous Improvement	We ensure that the risk management process evolves with changing circumstances and emerging best practices. We conduct an annual assessment of the risk management framework to identify gaps and areas that need improvement. We actively absorb insights from investors, clients and regulatory authorities to improve our approach and stay in line with market expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Metrics and Targets

To better understand and continuously track the effectiveness of the Group's response to climate change, the Group has formulated a series of environmental targets, details of which are set out in Section "A.1 Emissions". During the Reporting Period, we had no capital expenditures related to climate change.

Given that the Stock Exchange provides relief (including reasonable information relief, capacity relief and commercial sensitivity relief), this report does not disclose cross-industry indicators, industry indicators, etc. for the time being. In addition, we issued a negative statement regarding internal carbon pricing and compensation. The Group commits to continuously enhancing the relevant capabilities and gradually improving them in future reports.

B. SOCIAL

B.1 Employment and labour practices

(i) Employment

Total employees

The Group had a total number of 52 employees during the Reporting Period (31 December 2024: 69). During the Reporting Period, the Group adjusted the number of employees that was suitable for its business needs.

Set forth below is the Group's employee turnover rate⁴ by gender, age group and geographical region:

Category	For the year ended 31 December 2025	For the year ended 31 December 2024
By gender		
Male	14.8%	35.3%
Female	20.0%	11.5%
By age group		
30 or below	40.0%	50.0%
31–40	46.7%	14.0%
41–50	–	21.1%
51 or above	–	–
By geographical region		
China	17.6%	17.6%
Germany	–	–

Notes:

- (4) "Turnover Rate for each specific category" refers to the ratio of the total number of employees who left a specific category during the Reporting Period to the total number of employees in that category at the end of the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Set forth below are the distribution of the Group's employees by gender, age group, employment type and geographical region:

Category	As at 31 December 2025		As at 31 December 2024	
	Number of employees	Percentage	Number of employees	Percentage
By gender				
Male	27	51.9%	17	24.6%
Female	25	48.1%	52	75.4%
By age group				
30 or below	5	9.6%	4	5.8%
31–40	15	28.8%	43	62.3%
41–50	30	57.7%	19	27.5%
51 or above	2	3.9%	3	4.4%
By employment type				
Full-time	48	92.3%	69	100%
Part-time	4	7.7%	–	–
By geographical region				
China	51	98.1%	68	98.6%
Germany	1	1.9%	1	1.4%

Employee benefits and welfare

The Group enters into employment contracts with its employees and the employment contract terms were stipulated under the principles of fairness, voluntarism, mutual consent, integrity and credibility. The remuneration package offered to employees includes salary, bonuses and other subsidies. In general, the remuneration package is based on each employee's qualifications, position, seniority and work performance. The Group carries out an annual review system to assess the performance of its employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions.

During the Reporting Period, the Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.

During the Reporting Period, the Group complies with the Labour Law of the PRC and did not experience any significant disputes with its employees or any disruption to business operations due to labour disputes. In addition, the Group did not experience any difficulties in the recruitment and retention of experienced core staff or skilled personnel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour standards

During the Reporting Period, there was no child labour nor forced labour working in the Group. The job application requirement specifies that job applicants must be at least 18 years old. To ensure that job applicants can meet the age requirement, identities of job applicants are verified against their valid identity documents, relevant permits and certificates.

The human resources department is required to carry out background checks to authenticate information provided by job applicants and is required to fill in forms that confirm hired employees have met the age requirement. If child labour or forced labour is discovered, such matter will be reported to the human resources department and senior management. The Group will enhance the relevant internal controls to eliminate such matter. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the Reporting Period.

Equal opportunity

The Group provides equal opportunities for employees in respect of recruitment, job advancement, training and development, etc. Employees are not discriminated against or deprived of such opportunities on the basis of race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age and any other discrimination prohibited by applicable law. Employees shall not act in discriminatory manner or they can be subject to disciplinary actions.

(ii) Employee relations

The Directors consider that it is important to maintain good relationship with employees. The Group maintains regular communications with its employees by arranging gatherings, celebration activities and trainings. Through these activities, the Group would collect feedback from its employees on job satisfactions and their expectations on the Group and would implement appropriate strategies to improve the work environment and its relationship with the employees.

(iii) Employee health and safety

The Group places emphasis on occupational health and work safety. It provides a safe working environment and training sessions for its employees to ensure that they can work safely. It has also implemented a system of recording and handling accidents. Further, the Group also has dedicated personnel responsible for administering the internal work safety policies, providing relevant training and education, and conducting regular inspections. The Group had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations during the Reporting Period. The Group has maintained zero work related fatalities for the past three years.

Occupational health and safety data for the year ended 31 December 2025

Work related fatality	–
Work injury cases >3 days	–
Work injury cases ≤3 days	–
Lost days due to work injury	–

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(iv) **Development and training**

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

- a. Orientation training – To familiarise employees with the Group’s objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;
- b. Pre-job training – To familiarise new employees or transferred employees with their new duties;
- c. On-the-job training – To ensure that the employees are familiar with the Group’s products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.

Set forth below is the number and percentage of training hours completed by the Group’s employees by gender and employee category:

Employee category	For the year ended 31 December 2025			% of training hours by employee category
	Male training hours	Female training hours	Total training hours	
Senior management	–	6	6	3.8%
Middle management	45	27	72	46.2%
Other employees	36	42	78	50.0%
Total	81	75	156	100%
% of training hours by gender	51.9%	48.1%	100%	

Employee category	For the year ended 31 December 2024			% of training hours by employee category
	Male training hours	Female training hours	Total training hours	
Senior management	4	8	12	11.1%
Middle management	18	42	60	55.6%
Other employees	18	18	36	33.3%
Total	40	68	108	100.0%
% of training hours by gender	37.0%	63.0%	100%	

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B.2 Operating practices

(i) **Supply chain management**

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management, environmental friendliness and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the Reporting Period, the Group had business relationships with 51 suppliers, of which 50 were situated in the PRC and the remaining 1 were situated in Germany.

The Group expects its suppliers to uphold the ESG principles that the Group has adopted into the management of its business operations. In order to ensure that the components and raw materials meet the requisite safety and quality standards, the Group adopts stringent criteria in supplier selection (including but not limited to whether they provide high quality raw materials, whether they maintain a high standard on environmental protection and comply with relevant laws on environmental issues, whether price is comparable to market rate and location of their factories) and continuously monitors existing suppliers on an annual basis, based on criteria such as product quality, product defect ratio, delivery punctuality ratio and responsiveness.

Whether the supplier will continue to be included in the Group's list of approved suppliers depends on the marks it achieved under annual evaluation. The awareness of environmental protection is one of the key criteria for the Group to evaluate the suppliers.

(ii) **Product responsibility**

Product assurance and recall

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

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As a result of stringent quality control procedures, the Group is accredited with the certification of “ISO 9001:2008 Quality Management System” and the Group did not experience any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of its products during the Reporting Period.

The Group generally does not allow product returns except for quality reasons and the unconditional return to the Group within seven days after sale in accordance with PRC customer protection laws.

The Group highly values customer opinions and is committed to continuously enhancing product quality and customer satisfaction. Customer feedback and complaints are collected through multiple channels, including regular emails, the customer hotline, and social media platforms. To ensure timely and effective handling of complaints, the Group has established a dedicated complaint management team responsible for systematic tracking, investigation, and follow-up of all complaints received, with the aim of resolving issues efficiently and satisfactorily.

During the Reporting Period, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

The Group has obtained the following product quality standard and control qualifications:

- the certificates for quality management system for compliance of the requirements of GB/T19001-2016/ISO 9001:2015 for the scope of design, production and service of electronic stoves and induction stoves since 2006 and up to 5 July 2027
- the certificates for China Compulsory Product Certification issued by the China Quality Certification Centre for the Group’s hobs and stoves
- the VDE standard mark granted by VDE Association for Electrical, Electronic and Information Technologies for the parts and components of the Group’s hobs and stoves
- the CE mark required by the European Economic Area for some of the Group’s hobs and stoves which will be exported to European countries
- the GS mark issued by an agency accredited by the German government for proving that the Group’s products were tested and comply with the minimum requirements of the German Equipment and Product Safety Act

Intellectual Property Rights and Information Security

The Group registered various trademarks for the Group itself and its products in the PRC, Germany and Hong Kong to foster its corporate image. The Group relies on the relevant laws and regulations to protect its brand names, trademarks and other intellectual property rights.

During the Reporting Period, the Group was not aware of any material infringement by the Group of any intellectual property rights owned by any third parties. Further, there were no pending or threatened material claims made against the Group with respect to the infringement of intellectual property rights owned by the Group.

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(iii) Anti-corruption

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification. Directors and employees received training from time to time to ensure that they comply and familiar with the anti-corruption guides, policies and procedures of the Group.

During the Reporting Period, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

Whistle-blowing mechanism

The Group has implemented whistle-blowing policy to provide a well-defined and accessible channel for reporting fraud, corruption, dishonest practices, or other similar matters and guidance on how an investigation would be initiated upon receiving a complaint. The guidelines also protect employees who report fraudulent activities in good faith and reasonable belief. A whistle-blowing officer is elected to ensure that any reported case is dealt with in an expedited manner. Upon receiving the complaint, the Board decides the method of investigation, which may involve appointing an external consultant for assessment. The Group will monitor and review the effectiveness of the whistle-blowing mechanism from time to time.

(iv) Data protection and privacy policy

The Group is committed to protecting the privacy of its customers, employees, business partners and suppliers by maintaining a safe and secure data environment. The Group has implemented appropriate policies to ensure that all personal and business data collected during the Group's business activities are organised and secured properly. Computers and servers are protected from access passwords, Employees are instructed of their responsibility to follow the confidentiality code on the access to information and to ensure the safekeeping of all personal, customer and business data, trade secrets and proprietary information. Employees are prohibited from disclosing the information to unauthorised parties.

B.3 Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the Reporting Period, the Group focused on environmental protection as well as cultural and sport promotion. The Group encouraged its employees to participate charitable events. Going forward, the Group will continue to focus on community needs and increase its investment in community.

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THE ESG REPORTING CODE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Mandatory Disclosure Requirements		
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. 	<p>ESG GOVERNANCE</p> <p>ESG STRATEGIES</p> <p>STAKEHOLDER ENGAGEMENT</p>
Reporting Principles	<p>A description of, or an explanation on, the application of the reporting principles in the preparation of the ESG Report.</p>	REPORTING PRINCIPLES
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	REPORTING PRINCIPLES

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Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. 	A. ENVIRONMENT
KPI A1.1	The types of emissions and respective emissions data.	A.1 Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	A.1 Emissions – (iii) Hazardous waste (Not applicable – Explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	A.1 Emissions – (iv) Non hazardous waste
KPI A1.5	Description of reduction initiatives and results achieved.	A.1 Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A.1 Emissions – (iii) Hazardous waste A.1 Emissions – (iv) Non-hazardous waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A.2 Use of resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	A.1 Emissions
KPI A2.2	Water consumption in total and intensity	A.1 Emissions – (ii) Greenhouse gas emissions – Water consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	A.1 Emissions
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A.1 Emissions – (ii) Greenhouse gas emissions – Water consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	A.1 Emissions – (iv) Non-hazardous waste

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Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A.3 The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A.3 The environment and natural resources
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	B.1 Employment and labour practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	B.1 Employment and labour practices – (i) Employment – Total employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	B.1 Employment and labour practices – (i) Employment – Total employees
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	B.1 Employment and labour practices – (iii) Employee health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B.1 Employment and labour practices – (iii) Employee health and safety
KPI B2.2	Lost days due to work injury.	B.1 Employment and labour practices – (iii) Employee health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B.1 Employment and labour practices – (iii) Employee health and safety

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Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B.1 Employment and labour practices – (iv) Development and training
KPI B3.1	Percentage of employees trained by gender and employee category.	B.1 Employment and labour practices – (iv) Development and training
KPI B3.2	Average training hours completed by gender and employee category.	B.1 Employment and labour practices – (iv) Development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B.1 Employment and labour practices – (i) Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B.1 Employment and labour practices – (i) Employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B.1 Employment and labour practices – (i) Employment
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B.2 Operating practices – (i) Supply chain management
KPI B5.1	Geographical locations of major suppliers.	B.2 Operating practices – (i) Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers.	B.2 Operating practices – (i) Supply chain management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B.2 Operating practices – (i) Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B.2 Operating practices – (i) Supply chain management

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Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	B.2 Operating practices – (ii) Product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B.2 Operating practices – (ii) Product responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	B.2 Operating practices – (ii) Product responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B.2 Operating practices – (ii) Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	B.2 Operating practices – (ii) Product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B.2 Operating practices – (iv) Data protection and privacy policy
Aspect B7: Anti-corruption		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	B.2 Operating practices – (iii) Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B.2 Operating practices – (iii) Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B.2 Operating practices – (iii) Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B.2 Operating practices – (iii) Anti-corruption

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Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/Declaration
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B.3 Community investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B.3 Community investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	B.3 Community investment

Section	Description	Relevant section in the ESG report/Declaration
Part D: Climate-related Disclosures		
Governance	<p>19(a). An issuer shall disclose the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:</p> <ul style="list-style-type: none"> (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; 	Climate Change

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Section	Description	Relevant section in the ESG report/Declaration
	<p>19 (b). An issuer shall disclose the management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:</p> <ul style="list-style-type: none"> (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions. 	Climate Change
Strategy	<p>20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer’s cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:</p> <ul style="list-style-type: none"> (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer’s cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making <p>21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain. Specifically, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain; and (b) a description of where in the issuer’s business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets). 	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section	Description	Relevant section in the ESG report/Declaration
	<p>22 (a). An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:</p> <ul style="list-style-type: none"> (i) current and anticipated changes to the issuer’s business model, including its resource allocation, to address climate-related risks and opportunities; (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect); (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer’s transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; 	Climate Change
	<p>22 (b). An issuer shall disclose information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).</p>	Climate Change
	<p>23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).</p>	A.1 Emissions
	<p>24 (a). An issuer shall disclose qualitative and quantitative information about how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;</p>	For qualitative information: Climate Change
	<p>24 (b). An issuer shall disclose qualitative and quantitative information about the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.</p>	For quantitative information: Financial Effects Relief Adopted

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Section	Description	Relevant section in the ESG report/Declaration
	<p>25 (a). The issuer shall provide qualitative and quantitative disclosures about how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:</p> <ul style="list-style-type: none"> (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; 	<p>For qualitative information: Climate Change</p> <p>For quantitative information: Financial Effects Relief Adopted</p>
	<p>25 (b). The issuer shall provide qualitative and quantitative disclosures about how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.</p>	<p>Financial Effects Relief Adopted</p>
	<p>26 (a). An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:</p> <ul style="list-style-type: none"> (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term. 	<p>Capabilities Relief Adopted</p>

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Section	Description	Relevant section in the ESG report/Declaration
	<p>26 (b). An issuer shall disclose how and when the climate-related scenario analysis was carried out, including:</p> <ul style="list-style-type: none"> (i) information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out. 	Capabilities Relief Adopted
Risk Management	<p>27 (a). An issuer shall disclose information about the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:</p> <ul style="list-style-type: none"> (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period. 	Climate Change

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Section	Description	Relevant section in the ESG report/Declaration
	27 (b). An issuer shall disclose information about the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities).	Climate Change
	27 (c). An issuer shall disclose information about the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	Climate Change
Metrics and Targets	28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent, classified as: <ul style="list-style-type: none"> (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions. 	A.1 Emissions
	29. An issuer shall: <ul style="list-style-type: none"> (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). 	A.1 Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section	Description	Relevant section in the ESG report/Declaration
	30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Reasonable Information Relief Adopted
	31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Reasonable Information Relief Adopted
	32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Reasonable Information Relief Adopted
	33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Climate Change
	34. An issuer shall disclose: <ul style="list-style-type: none"> (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making. 	The Group did not implement internal carbon prices in decision-making during the Reporting Period.
	35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	The Group did not include climate-related considerations which are factored into remuneration policy during the Reporting Period.
	36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	A.1 Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section	Description	Relevant section in the ESG report/Declaration
	<p>37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose: (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.</p>	A.1 Emissions
	<p>38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:</p> <ul style="list-style-type: none"> (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer’s processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions. 	A.1 Emissions
	<p>39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer’s performance.</p>	A.1 Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section	Description	Relevant section in the ESG report/Declaration
	<p>40. For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:</p> <ul style="list-style-type: none"> (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer’s planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: <ul style="list-style-type: none"> (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset). 	A.1 Emissions
	<p>41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).</p>	Reasonable Information Relief Adopted

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are developing, manufacturing and selling of kitchen appliances and selling of health-related products. Particulars of the principal activities of the Company's subsidiaries are set out in note 13 to the consolidated financial statements of the Group for the year ended 31 December 2025.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of comprehensive income on page 85.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2025.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group is set out on page 4 of the annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2025 are set out in note 24 to the consolidated financial statements.

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

There was no purchase, sale or redemption of the Company's listed securities (including sale of treasury shares) by the Company or any of its subsidiaries during the year ended 31 December 2025. As at 31 December 2025, the Company did not hold any treasury shares.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the Reporting Period and distributable reserves of the Company as at 31 December 2025 are set out in page 88 in the consolidated statement of changes in equity and notes 25 and 31 to the consolidated financial statements respectively.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Reporting Period in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2025 are set out in note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers to the total revenue of the Group was 59.2% for the year ended 31 December 2025. The percentage of revenue attributable to the Group's largest customer to the total revenue of the Group was 16.6% for the year ended 31 December 2025.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases of the Group was 37.9% for the year ended 31 December 2025. The percentage of purchases attributable to the Group's largest supplier to the total purchases of the Group was 18.2% for the year ended 31 December 2025.

At no time during the Reporting Period have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of number of the issued shares (excluding treasury shares) of the Company) had an interest in any of the major customers or suppliers above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries, which are not contracts of service with any director of the Company or any person engaged in the full-time employment of the Company, were entered into or existed during the Reporting Period.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. Zhao Jie (*Chairperson*)

Madam Maeck Can Yue (*Chief executive officer*)

Mr. Wu Huizhang

Non-executive Director

Dr. Zheng Jingwen (resigned with effect from 2 July 2025)

Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)

Independent Non-executive Directors

Mr. Wang Shih-fang (resigned with effect from 2 July 2025)

Mr. Li Wei (resigned with effect from 12 January 2026)

Mr. Shen Shujing

Mr. Lin Dongming

Ms. Zhang Yuanjie (appointed as non-executive Director with effect from 2 July 2025 and re-designated as independent non-executive Director with effect from 12 January 2026)

In accordance with article 108(a) of the Company's articles of association, Ms. Zhang Yuanjie and Mr. Shen Shujing will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (Cap. 571), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) are as follows:

Interest in the Company

Name of Director	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company (Approximate)
Mr. Zhao Jie	Beneficial owner	22,000,000 (L)	6.10%
Mr. Wu Huizhang ("Mr. Wu") (Note 2)	Interest in a controlled corporation	8,000,000 (L)	2.22%
	Beneficial owner	1,200,000 (L)	0.33%

Notes:

- The letter "L" denotes long position of the shares and the letter "s" denotes short position of the shares.
- Shares in which Mr. Wu is interested consist of 8,000,000 Shares held by Seashore Global Enterprises Limited ("Seashore Global"). The issued shares of Seashore Global is wholly-owned by Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the 8,000,000 ordinary shares of the Company held by Seashore Global by virtue of the SFO.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive of the Company and/or any of their respective associates had any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' REPORT

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at 31 December 2025, the following person (other than the interests of the Directors or chief executives of the Company as disclosed above) had interests or short positions in the ordinary shares of the Company or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company (Approximate)
Starlight Investment Fund SPC – Starlight Investment Fund SP6	Beneficial owner	100,000,000 (L)	27.72%

Note:

1. The letter "L" denotes long position of the shares and the letter "S" denotes short position of the shares.

Save as disclosed above, as at 31 December 2025, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2025, none of the Directors or the substantial shareholders of the Company or any of their respective associates had any interest in any business which competes or may compete with the business of the Group.

None of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in or has any interest in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the Reporting Period and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or his connected entity has or had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party subsisting during or at the end of the year ended 31 December 2025.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

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

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

EQUITY-LINKED AGREEMENTS

Share Option Scheme

The Company adopted a share option scheme (the **"Share Option Scheme"**) on 24 June 2018, which became effective on 16 July 2018. The purpose of which is to motivate the relevant participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Under the Share Option Scheme, the Board may, at its absolute discretion, grant options to any employee (full-time or part-time), Directors, consultant or adviser of the Group (together, the **"Participants"** and each a **"Participant"**).

The maximum number of shares, which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company as from 24 June 2018, the date on which the Share Option Scheme is conditionally adopted by shareholders by way of written resolutions (the **"Adoption Date"**) (excluding shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not in aggregate exceed 10% of the total number of shares in issue as at 16 July 2018, i.e. 6,000,000 shares (adjusted for the number of shares with the share consolidation on 2 April 2024).

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. The vesting period for options shall not be less than 12 months. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant with 7 days inclusive of the day on which such offer was made.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of a share.

DIRECTORS' REPORT

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date and the remaining life of the Share Option Scheme is 3 years.

During the Reporting Period, the Company granted an aggregate of 6,000,000 share options (where each share option shall entitle the holder of the share option to subscribe for one share) to 8 employees (including 1 senior management and 7 other employees) pursuant to the Share Option Scheme. There were no option exercised, cancelled and lapsed during the Reporting Period.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 6,000,000 (after the share consolidation effective on 2 April 2024), representing approximately 1.66% of the issued shares of the Company.

As at 1 January 2025 and 31 December 2025, the number of share options available for grant under the share option scheme mandate was 6,000,000 (after the share consolidation effective on 2 April 2024) and nil respectively; and the number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2025 is 6,000,000 representing 2.20% of the weighted average number of shares of the relevant class in issue of the Company for the year ended 31 December 2025.

At 31 December 2025, the employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2025 was HK\$0.485) for consideration of HK\$1 for each grant under the share option scheme of the Company. As at 31 December 2025, the total grant date fair value of unexercised vested options and unvested options, measured in accordance with the accounting policy set out in note 2.17 to the consolidated financial statements, amounted to HK\$Nil and HK\$994,576, respectively. The options are unlisted. Once vested, each option gives the holders the right to subscribe for one ordinary share of the Company. Assuming that all the options outstanding as at 31 December 2025 were exercised, the Company would receive proceeds of HK\$1,950,000.

	Numbers of options outstanding at the beginning of the year	Numbers of options granted during the year	Numbers of options exercised during the year	Numbers of options cancelled/ lapsed during the year	Numbers of options outstanding at the end of the year	Date granted	Vesting period	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of option
Employees	-	6,000,000	-	-	6,000,000	15 October 2025	15 October 2025 to 14 October 2026	15 October 2026 to 14 October 2035	HK\$0.325	HK\$0.166

The closing price of the shares immediately before the date on which the options were granted on 15 October 2025 was HK\$0.33 per share.

The grant date fair value of options granted to the employees participants during the Reporting Period is HK\$944,576. Information on the accounting policy adopted for share options granted in accordance with HKFRS 2, *Share-based Payment*, and the methodology and assumption used in calculating the fair value of the options are provided in note 34 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 30 to the consolidated financial statements. For the year ended 31 December 2025, these related party transactions constitute fully exempt connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

There was no connected transaction or continuing connected transaction undertaken by the Company during the Reporting Period which was required to be disclosed pursuant to Chapter 14A of the Listing Rules. The related party transactions disclosed in note 30 to the consolidated financial statements constitute fully exempt connected transactions of the Company under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the Reporting Period and up to the date of this report.

CHANGE OF COMPANY NAME, STOCK SHORT NAMES AND COMPANY WEBSITE

During the Reporting Period, subsequent to the passing of the special resolution regarding the change of company name at the annual general meeting held on 26 June 2025, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 4 July 2025 certifying the change of English name and the dual foreign name of the Company, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 25 July 2025 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The stock short names for trading in the shares of the Company on the Stock Exchange has been changed from "VOLCANO SPRING" to "AI HEALTH TECH" in English and from "火山邑動國際控股" to "智慧健康科技" in Chinese with effect from 9:00 a.m. on Wednesday, 13 August 2025. The website of the Company changed from "www.volcanospring.com" to "www.aihealth-technology.com" with effect from 13 August 2025.

For details, please refer to the announcements of the Company dated 15 May 2025, 8 August 2025 and the circular of the Company dated 22 May 2025.

EVENTS AFTER THE REPORTING PERIOD

The Group has reviewed events occurring after the reporting period up to the date of approval of the financial statements. No material events have been identified that would require adjustment to or disclosure in the financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

BUSINESS REVIEW

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2025 and the material factors underlying its results and financial position can be found in the Chairperson's Statement on pages 5 to 6 and the Management Discussion and Analysis on pages 7 to 16 of this annual report. An analysis using financial key performance indicators can be found in the Five-year Financial Summary on page 4 of this annual report. These discussions and financial highlights form part of this Directors' Report.

ENVIRONMENTAL POLICY

The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of recycling and reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.



DIRECTORS' REPORT

The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses. A discussion and analysis of the Group's environmental policy can be found in the Environmental, Social and Governance Report on pages 38 to 70 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company complies with the requirements under the Companies Law of the Cayman Islands, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

During the year ended 31 December 2025, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

PRINCIPAL RISKS AND UNCERTAINTIES

The following lists out the principal risks and uncertainties facing the Group.

Global Economic Conditions

The global economic condition has been weaker than expected. Downside risks have been increased since there is slowing growth in emerging markets. The continuing adverse economic conditions may affect the results of operations and financial performance of the Group adversely.

To address economic uncertainties, the Group pursues steady earnings growth by strengthening product portfolio, enhancing in-store promotion, adopting careful cautious network diversification plan on points of sales, intensifying cost controlling measures and exploring business diversification opportunities.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of our employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Reporting Period.

Before placement of purchase orders to its suppliers, the Group considers their product price, product quality, production capacity, financial conditions, delivery schedule, business scale and reputation. The Group builds its business and brand recognition on product quality and customer satisfaction. Its suppliers are required to meet the desired quality standards and deliver their products on time. The Group has implemented a stringent quality control system to ensure that the products from its suppliers can meet the Group's quality standard and any defective products will be returned to suppliers. Further, the Group's procurement team communicates with its suppliers regularly to ensure that the suppliers understand the Group's quality requirements and they can deliver the products on time.

The Group's suppliers generally grant credit period of not exceeding 90 days to the Group. Details of the trade payables of the Group as at 31 December 2025 are set out in note 26 to the financial statements. The Directors confirmed that the Group had no disputes with its suppliers and there had been no material defaults in the settlement of the Group's trade payables during the Reporting Period.

During the Reporting Period, purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 18.2% and 37.9% (2024: 63.9% and 83.3%) of the total purchases, respectively.

The Group's major suppliers are manufacturers of (i) electronic components, control panels and ceramic glass panels used in the production of the Group's hobs and stoves; (ii) pots and pans; and (iii) health-related products. The Group has maintained business relationship with its five largest suppliers during the Reporting Period ranging from one to seventeen years.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products are offered to the customers.

The Group has implemented various marketing strategies to promote its corporate brand and products and it has also spent plenty of resources to expand its sales channels. It is expected that the marketing effort and resources spent would increase the Group's sales revenue and market share in the PRC's kitchen appliance industry. The Group also closely monitors credit risk by performing regular review on the credit period granted to its customers and following up on outstanding trade receivables. The Directors confirmed that the Group had no disputes with its customers and there had been no material defaults in the recovery of the Group's trade receivables during the Reporting Period.

The Group generally grant credit period ranging from 60 days to 270 days to its customers. Details of the trade receivables of the Group as at 31 December 2025 are set out in note 22 to the financial statements.

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 16.6% and 59.2% (2024: 19.6% and 59.9%) of the total revenue, respectively.

The Group's major customers are distributors or consignees which operate online sales platforms and/or television platforms in the PRC. The Group has maintained business relationship with its five largest customers during the Reporting Period ranging from one to fourteen years.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.



DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group did not make any donations during the Reporting Period (2024: nil).

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 were audited by Conpak CPA Limited (“**Conpak**”) and the consolidated financial statements of the Company for the years ended 31 December 2025 and 2024 were audited by Rongcheng (Hong Kong) CPA Limited (formerly known as CL Partners CPA Limited) (“**Rongcheng**”).

Conpak resigned as the auditor of the Company with effect from 4 October 2024. Rongcheng was appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Conpak to hold the office until the conclusion of the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Rongcheng as the auditor of the Company.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

On behalf of the Board

AI Health Technology Limited

Zhao Jie

Chairperson

Hong Kong, 31 March 2026

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To the Shareholders of AI Health Technology Limited (formerly known as Volcano Spring International Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AI Health Technology Limited (formerly known as Volcano Spring International Holdings Limited) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 85 to 152, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of 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 and other explanatory information.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was 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 this matter.

Key audit matter

How our audit addressed the key audit matter

Expected credit losses allowance for trade receivables

Refer to Notes 2.9, 3.1(b), 4(a) and 22(a) to the consolidated financial statements.

As at 31 December 2025, the Group had gross trade receivables of approximately RMB18,268,000, for which expected credit losses (“**ECL**”) allowance of approximately RMB12,041,000 was recognised.

The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for all trade receivables.

Management estimated ECL of trade receivables that are individually significant by considering the ageing profiles of trade receivables, their knowledge about the customers and the market conditions. Management also grouped the trade receivables with similar credit risk characteristics and ageing profile for collective assessment. The estimated ECL rates were based on historical credit loss rates for different groups and adjusted to reflect the current and multiple forward-looking information on macro-economic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. In assessing the sufficiency of the ECL estimation, management considered factors including the settlement pattern, credit profile and on-going trading relationships with the customers.

We focused on this area because the estimation of ECL involved a significant level of judgement by management to determine the selection of internal and external data from various sources that were considered to be appropriate in their circumstances to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of estimation uncertainty and inherent risk of subjectivity.

Our procedures in relation to expected credit losses allowance for trade receivables included:

- Obtained understanding of key controls on how the management estimates ECL for trade receivables;
- Evaluated the outcome of prior year’s ECL assessment to assess the effectiveness of management’s estimation process and whether that process has been consistently applied in the current year;
- Obtained understanding of the status of each of the material trade receivables past due as at year end, the Group’s on-going business relationships with the relevant customers and past settlement history of the customers through discussion with management;
- Evaluated management’s assessment of the historical credit loss rates by checking, on a sample basis, inputs in respect of the assumptions made, such as historical payment records and correspondence on any disputes or claims with the customers;
- Evaluated the expected future changes in credit risks in management’s assessment by checking, on a sample basis, the inputs of assumptions and forward-looking information to the relevant external data sources;
- Performed testing, on a sample basis, of the accuracy of the trade receivables ageing analysis as at 31 December 2025 by comparing individual items in the analysis with relevant sales agreements, sales invoices and other supporting documents;
- Checked the computation of the amount of ECL allowances; and
- Evaluated the disclosure regarding the ECL assessment of trade receivables in notes to the consolidated financial statements.

Based on the procedures performed, we consider impairment assessment for trade receivables is supported by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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

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

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

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

Rongcheng (Hong Kong) CPA Limited

Certified Public Accountants

Lo Chi Kin

Practising Certificate Number: P08415

Hong Kong

31 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	47,404	91,885
Cost of sales		(43,140)	(85,400)
Gross profit		4,264	6,485
Other income	6	1,609	3,797
Other gains, net	7	413	17
Selling and distribution expenses		(18,924)	(17,402)
Administrative expenses		(15,427)	(14,466)
Research and development expenses		(5,757)	(5,866)
Reversal of impairment (impairment losses) on financial assets		1,598	(4,024)
Operating loss		(32,224)	(31,459)
Finance income	8	423	5
Finance costs	8	(3,137)	(4,162)
Finance costs, net		(2,714)	(4,157)
Share of net loss of a joint venture	18	(367)	–
Share of net loss of an associate	14	(658)	(342)
Loss before taxation	9	(35,963)	(35,958)
Income tax expense	11	(53)	(47)
Loss for the year		(36,016)	(36,005)
Other comprehensive income (loss): <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		579	(518)
Total comprehensive loss for the year		(35,437)	(36,523)
Loss attributable to:			
Owners of the Company		(35,561)	(35,850)
Non-controlling interests		(455)	(155)
Loss for the year		(36,016)	(36,005)
Total comprehensive loss attributable to:			
Owners of the Company		(34,982)	(36,368)
Non-controlling interests		(455)	(155)
Total comprehensive loss for the year		(35,437)	(36,523)
Loss per share attributable to owners of the Company for the year			(Restated)
Basic and diluted (RMB)	12	(0.13)	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	10,182	9,929
Right-of-use assets	16(a)	–	250
Land use rights	17	7,741	7,952
Investment in an associate	14	–	658
Investment in a joint venture	18	143	510
Intangible assets	19	80	150
Deposits and prepayments	22	3,852	210
		21,998	19,659
Current assets			
Inventories	21	17,477	30,713
Trade receivables	22	6,227	24,645
Other receivables, deposits and prepayments	22	72,572	59,796
Amount due from a non-controlling interest	33	1,338	358
Cash and cash equivalents	23	27,074	2,299
		124,688	117,811
Total assets		146,686	137,470
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	315	25,758
Share premium	24	102,835	106,793
Reserves	25	(44,347)	(90,493)
		58,803	42,058
Non-controlling interests		860	335
Total equity		59,663	42,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	4,270	6,269
Deferred tax liabilities	28	375	322
		4,645	6,591
Current liabilities			
Trade and other payables	26	29,120	28,871
Borrowings	27	41,926	54,218
Lease liabilities	16(a)	–	253
Amount due to an associate	30	1,000	1,000
Amount due to a joint venture	30	510	510
Amount due to a director		3,269	1,750
Contract liabilities	5(b)	6,134	1,465
Current income tax liabilities		419	419
		82,378	88,486
Total liabilities		87,023	95,077
Total equity and liabilities		146,686	137,470

The consolidated financial statements on pages 85 to 152 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Madam Maeck Can Yue
Director

Mr. Zhao Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company			Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Reserves RMB'000 (Note 25)		
As at 1 January 2024	16,109	96,223	(54,125)	–	58,207
Loss for the year	–	–	(35,850)	(155)	(36,005)
Other comprehensive loss: Exchange differences on translation of foreign operations	–	–	(518)	–	(518)
Total comprehensive loss for the year	–	–	(36,368)	(155)	(36,523)
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	490	490
Issuance of shares, net of transaction costs	9,649	10,570	–	–	20,219
Total transactions with owners	9,649	10,570	–	490	20,709
As at 31 December 2024	25,758	106,793	(90,493)	335	42,393
As at 1 January 2025	25,758	106,793	(90,493)	335	42,393
Loss for the year	–	–	(35,561)	(455)	(36,016)
Other comprehensive income: Exchange differences on translation of foreign operations	–	–	579	–	579
Total comprehensive loss for the year	–	–	(34,982)	(455)	(35,437)
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	980	980
Issuance of shares on rights issue, net of transaction costs (note 24)	55,498	(3,958)	–	–	51,540
Capital reduction (note 24)	(80,941)	–	80,941	–	–
Recognition of equity-settled transactions (note 34)	–	–	187	–	187
Total transactions with owners	(25,443)	(3,958)	81,128	980	52,707
As at 31 December 2025	315	102,835	(44,347)	860	59,663

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Net cash used in operating activities	29	(10,092)	(35,212)
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(160)
Interest received		423	5
Proceeds from disposal of property, plant and equipment	29(a)	–	54
Net cash generated from (used in) investing activities		423	(101)
Cash flows from financing activities			
Proceeds from issuance of shares	24	51,540	20,219
Interest paid		(3,134)	(4,130)
Proceeds from borrowings		33,562	35,569
Repayment of borrowings		(47,198)	(45,217)
Repayment to then non-controlling interest		–	(1,650)
Capital contribution by a non-controlling interest		–	132
Payment for lease liabilities, principal portion		(253)	(1,261)
Payment for lease liabilities, interest portion		(3)	(32)
Net cash generated from financing activities		34,514	3,630
Net increase (decrease) in cash and cash equivalents		24,845	(31,683)
Effect of exchange difference		(70)	31
Cash and cash equivalents at beginning of the year		2,299	33,951
Cash and cash equivalents at end of the year	23	27,074	2,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 GENERAL INFORMATION

AI Health Technology Limited (formerly known as Volcano Spring International Holdings Limited) (the “**Company**”) was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) mainly engage in the development, manufacturing and selling of kitchen appliances and selling of health-related products in the People’s Republic of China (the “**PRC**”).

The Company commenced its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

The consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the functional currency of the Company.

2 MATERIAL ACCOUNTING POLICY INFORMATION

This note provides material accounting policy information adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on a historical cost basis.

(a) *Going concern assessment*

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) *Amendments to HKFRS Accounting Standard that are mandatorily effective for the current year*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2025:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standards in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

(c) **New and amendments to HKFRS Accounting Standards in issue but not yet effective**

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKFRS 19	Amendments to Subsidiaries without Public Accountability: Disclosures ³
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

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

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

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

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors anticipate the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the results and financial position of the Group in the foreseeable future.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

2.3 Investments in associates and joint venture

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

Under the equity method, the investment is initially recorded at cost. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition post-tax results of the investees and any impairment losses are recognised in the consolidated statement of income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised as other comprehensive income in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Investments in associates and joint venture *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Land use rights and property, plant and equipment

Land use rights

Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land on which various plants and buildings are situated for periods varying from 40–50 years. Depreciation of land use rights is charged to the consolidated financial statements on a straight-line basis over the period of leases or when there is impairment, the impairment is charged to the consolidated financial statements.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining lease term or 3 years
Furniture and office equipment	3–5 years
Motor vehicles	5 years
Machinery	3–10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

2.6 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

The intangible assets of the Group are the acquired computer software licenses and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Intangible assets are amortised over their estimated useful lives of 3 to 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investment and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“**OCI**”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“**FVTOCI**”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Investment and other financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVTPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses), net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in “other gains, net” in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Investment and other financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses (“**ECL**”) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2.9 Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

2.10 Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises parts and components, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade and other payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.15 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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Employee benefits

Retirement benefit obligations

Full time employees of the Group's PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group also participates in defined contribution schemes which are available to Germany employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the profit or loss as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17 Share-based payment arrangements

Equity-settled share-based payment transactions

Share awards/Share options granted to employees and others providing similar services

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

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

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to the share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivables is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivables is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group's revenue is primarily derived from sales of goods.

The Group manufactures and sells a range of kitchen appliances and health-related products primarily in both wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer other than retail sales has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

Revenue from sales of goods

Revenue from sales of kitchen appliances and health-related products is recognised based on the price specified, net of discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision in the consolidated statement of financial position, if any.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.20 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.

(i) As a lessee

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

(i) As a lessee (Continued)

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 Group use 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 (see Notes 2.7). The right-of-use assets is subsequent depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") 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.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

2.21 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.22 Separate financial statements

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.23 Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity 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.

Risk management is carried out by the finance department headed by the financial controller of the Group (the "**Finance Department**"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Market risk

Cash flow and fair value interest rate risks

Cash flow and fair value interest rate risks refer to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. In the opinion of directors, the expected change in fair values as a results of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Cash and cash equivalents and bank borrowings at variable rates expose the Group to cash flow interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

Cash flow and fair value interest rate risks (Continued)

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2025, it is estimated that if cash and cash equivalents and borrowings at variable rates experience a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year would increase/decrease by approximately RMB226,000 (2024: increase/decrease by RMB12,000) respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

Foreign currency risk

The Group mainly operates in the PRC and most of their transactions are denominated in Chinese Renminbi ("**RMB**"). The Group is exposed to foreign exchange risk primarily through its bank balances and short-term borrowings that are denominated in a currency other than the functional currency of the Company or of its subsidiaries to which they relate.

The Group considers its foreign currency exposure is mainly arising from the exposure of RMB against Hong Kong Dollars ("**HK\$**") and United States Dollar ("**USD**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not adopted hedge accounting.

The carrying amounts of the Group's foreign currency denominated (mainly in HK\$ and USD) monetary assets and monetary liabilities as at 31 December 2025 and 31 December 2024 are as followings.

	Exposure to foreign currencies (expressed in RMB)			
	Liabilities		Assets	
	31 December 2025 RMB'000	31 December 2024 RMB'000	31 December 2025 RMB'000	31 December 2024 RMB'000
Bank balances	–	–	22,047	1,766
Borrowings	(11,456)	(26,577)	–	–
Overall exposure	(11,456)	(26,577)	22,047	1,766

As at 31 December 2025, if RMB strengthened/weakened against HK\$ by 5% with all other variables held constant, the Group's loss for the year will be approximately RMB530,000 lower/higher (2024: RMB1,241,000 lower/higher).

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, amount due from a non-controlling interest and other receivables and deposits.

(i) Risk management

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

As at 31 December 2025, there were 1 customer (2024: 2 customers) which individually contributed over 10% of the Group's trade receivables. The amount of trade receivables from this 1 customer (2024: 2 customers) amounted to 81% respectively (2024: 46.3% and 39.7%) of the Group's total trade receivables. The major debtors of the Group are reputable organisations and with no history of default. Management considers that the credit risk is limited in this regard.

The Group has concentration of credit risk as 81% (2024: 46.3%) of the total receivables was due from the Group's largest customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime ECL allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on different credit risk characteristics and calculate loss allowance according to the lifetime ECL mode.

For individual assessment, the receivables relating to customers with known financial difficulties or with significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2025, the balance of individually assessed receivables was RMB11,450,000 (2024: RMB12,885,000) and the loss allowance in respect of individually assessed receivables was RMB11,450,000 (2024: RMB12,885,000).

For collective assessment, the ECL rates are based on the payment profiles of sales over a period of 36 months before end of reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors which are expected to affect the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the PRC in which it sells of goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For trade receivable from related party, the Group considers the ECL is immaterial on the basis that the counterparty is the associate with sound credit rating and no losses experienced in the past, as well as no adverse change is anticipated in the business environment.

The amount due from a non-controlling interest with gross carrying value of approximately RMB1,338,000 at 31 December 2025 (2024: RMB358,000), management of the Group does not consider there is a risk of default and does not expect any losses from non-performance by the non-controlling interest, and accordingly, impairment recognised in respect of the amount would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowances as at 31 December 2025 and 31 December 2024 were determined as follows:

As at 31 December 2025	Lifetime expected loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
Individual assessment	100%	11,450	(11,450)	–
Collective assessment (based on due date)				
Current, not yet due	2%	5,988	(140)	5,848
1 – 30 days	19%	146	(28)	118
31 – 60 days	32%	48	(15)	33
61 – 90 days	60%	17	(10)	7
91 – 180 days	64%	619	(398)	221
		18,268	(12,041)	6,227
As at 31 December 2024	Lifetime expected loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
Individual assessment	100%	12,885	(12,885)	–
Collective assessment (based on due date)				
Current, not yet due	3%	25,134	(713)	24,421
1 – 30 days	20%	48	(9)	39
31 – 60 days	29%	37	(11)	26
61 – 90 days	33%	7	(2)	5
91 – 180 days	39%	94	(37)	57
Over 180 days	74%	373	(276)	97
		38,578	(13,933)	24,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

ECL on trade receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit quality of other receivables and deposits excluding prepayments has been assessed with reference to historical settlement record, past experience as well as forward-looking factors. The directors are of the opinion that the credit risk of other receivables and deposits is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables and deposits excluding prepayments is assessed to be insignificant and therefore, the ECL allowance required for these balances was minimal.

(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 shorter and longer term.

As at 31 December 2025, the Group held cash and cash equivalents totalled RMB27,074,000 (2024: RMB2,299,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including receivables and certain assets that the Group considers appropriate and short-term financing. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at as 31 December 2025 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000
As at 31 December 2025					
Trade and other payables	24,378	-	-	-	24,378
Borrowings	43,590	464	2,052	2,991	49,097
Amount due to an associate	1,000	-	-	-	1,000
Amount due to a joint venture	510	-	-	-	510
Amount due to a director	3,269	-	-	-	3,269
Lease liabilities	-	-	-	-	-
	71,670	464	2,052	2,991	77,177
As at 31 December 2024					
Trade and other payables	21,582	-	-	-	21,582
Borrowings	55,410	2,296	2,169	3,572	63,447
Amount due to an associate	1,000	-	-	-	1,000
Amount due to a joint venture	510	-	-	-	510
Amount due to a director	1,750	-	-	-	1,750
Lease liabilities	256	-	-	-	256
	80,508	2,296	2,169	3,572	88,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following debt to capital ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. The capital is calculated as "equity" as shown in the foreseeable consolidated statement of financial position plus net debt.

The debt to capital ratios of the Group are as follows:

	2025 RMB'000	2024 RMB'000
Borrowings (Note 27)	46,196	60,487
Less: cash and bank balances (Note 23)	(27,074)	(2,299)
Net debt	19,122	58,188
Total equity	59,663	42,393
Total capital	78,785	100,581
Debt to Capital ratio	24%	58%

The debt to capital ratio decreased due to the issue of shares (see note 24) during the reporting period.

3.3 Fair value estimation

The carrying value less ECL allowance of trade receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, borrowings, lease liabilities, amount due to an associate, amount due to a joint venture, amount due to a director, and amount due from a non-controlling interest are approximate to their fair value due to short maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Income tax

Significant judgement is required in determining the provision for income taxes and deferred income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

Key sources of estimation uncertainty

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

(a) ECL allowance of receivables

The ECL allowances for financial assets are based on assumptions about risk of default and ECL rates. The Group uses significant judgement in making these assumptions and selecting the inputs to the ECL calculation based on the Group's past settlement history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(b) Impairment of inventories

The Group makes provision for inventories based on an assessment of the realisability of inventories. Provisions are recognised where events or changes in circumstances indicate that the carrying value of inventories may not be realised. The identification of provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

Key sources of estimation uncertainty (Continued)

(c) Estimation of provision for warranty claims

The Group has the obligation to repair or replace faulty products under the standard warranty terms. Management estimates the related provision for future warranty claims information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current year are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

5 REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue from contracts with customers

	2025 RMB'000	2024 RMB'000
Type of goods		
Kitchen appliance	34,507	46,821
Health-related products	12,897	45,064
Total revenue	47,404	91,885
Timing of revenue recognition		
At a point in time	47,404	91,885

(b) Liabilities related to contracts with customers

	2025 RMB'000	2024 RMB'000
Contract liabilities – sales of goods (Note)	6,134	1,465

Note:

Revenue recognised in relation to contract liabilities

At 1 January 2024, contract liabilities amounted to RMB1,361,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	1,465	1,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment information provided to the executive directors

The chief operating decision-makers have been identified as the executive directors of the Group. Management has determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance. There are two components in internal reporting to the executive directors: one component is the development, manufacturing and selling of kitchen appliance and the other component is the selling of health-related products.

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are summarised as follows:

	Development, manufacturing and selling of kitchen appliance RMB'000	Selling of health-related products RMB'000	Total RMB'000
Year ended 31 December 2025			
Segment revenue	34,507	12,897	47,404
Segment loss	(27,310)	(4,914)	(32,224)
Share of net loss of a joint venture			(367)
Share of net loss of an associate			(658)
Finance costs, net			(2,714)
Loss before taxation			(35,963)
	Development, manufacturing and selling of kitchen appliance RMB'000	Selling of health-related products RMB'000	Total RMB'000
Year ended 31 December 2024			
Segment revenue	46,821	45,064	91,885
Segment loss	(22,165)	(3,655)	(25,820)
Unallocated expenses			(5,639)
Share of net loss of an associate			(342)
Finance costs, net			(4,157)
Loss before taxation			(35,958)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Segment information provided to the executive directors *(Continued)*

There are no inter-segment sales for both years. All of the segment revenue reported above is from external customers.

Segment loss represents the loss incurred by each segment without allocation of share of net loss of a joint venture, share of net loss of an associate, net finance costs and unallocated expenses.

	Development, manufacturing and selling of kitchen appliance RMB'000	Selling of health-related products RMB'000	Total RMB'000
Year ended 31 December 2025			
Assets			
Segment assets	87,945	58,598	146,543
Investment in a joint venture			143
Total consolidated assets			146,686
Liabilities			
Segment liabilities	(35,470)	(578)	(36,048)
Borrowings			(46,196)
Amount due to a director			(3,269)
Amount due to an associate			(1,000)
Amount due to a joint venture			(510)
Total consolidated liabilities			(87,023)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Segment information provided to the executive directors *(Continued)*

	Development, manufacturing and selling of kitchen appliance RMB'000	Selling of health-related products RMB'000	Total RMB'000
Year ended 31 December 2024			
Assets			
Segment assets	72,384	63,918	136,302
Investment in an associate			658
Investment in a joint venture			510
Total consolidated assets			137,470
Liabilities			
Segment liabilities	(30,542)	(788)	(31,330)
Borrowings			(60,487)
Amount due to a director			(1,750)
Amount due to an associate			(1,000)
Amount due to a joint venture			(510)
Total consolidated liabilities			(95,077)

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2025, non-current assets of RMB21,998,000 (2024: RMB19,659,000) of the Group were located in the PRC. For the year ended 31 December 2025, revenue of RMB47,404,000 (2024: RMB91,885,000) was derived from external customers in the PRC. Revenue of approximately RMB7,877,000 (2024: RMB18,015,000) from selling of health-related products and RMB7,264,000 (2024: RMB10,117,000) from development, manufacturing and selling of kitchen appliance were derived from two (2024: two) individual external customers, each of which contributed more than 10% of Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6 OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants (Note)	802	1,054
Licensing income from independent third parties	515	1,415
Management fee income from an independent third party	–	576
Sundry income	292	752
	1,609	3,797

Note: The amounts mainly represent the Group's entitlements to value-added tax refund and government subsidies as an incentive to the Group for the devotion of resources to stimulate the PRC's economic development. There are no unfulfilled conditions or other contingencies attached to the government grant recognised during the years ended 31 December 2025 and 2024.

7 OTHER GAINS, NET

	2025 RMB'000	2024 RMB'000
Gain on disposal of investment in an associate (Note 14)	–	535
Net exchange gain (loss)	163	(546)
Others	250	28
	413	17

8 FINANCE COSTS, NET

	2025 RMB'000	2024 RMB'000
Interest income:		
– Bank interest income	423	5
Finance income	423	5
Interest expenses:		
– Borrowings	(3,134)	(4,130)
– Lease liabilities	(3)	(32)
Finance costs	(3,137)	(4,162)
Finance costs, net	(2,714)	(4,157)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2025 RMB'000	2024 RMB'000
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB6,231,000 (2024: RMB3,730,000) (Note 21))	43,663	81,503
Auditor's remuneration – audit fee	1,000	980
Auditor's remuneration – non audit fee	–	60
Depreciation of property, plant and equipment (Note 15)	2,123	2,662
Depreciation of right-of-use assets (Note 16(b))	250	1,248
Amortisation of land use rights (Note 17)	211	211
Amortisation of intangible assets (Note 19)	70	117
Consignment fee	787	2,659
Short-term lease expenses (Note 16(b))	321	442
Write off of property, plant and equipment (Note 15)	23	–

10 EMPLOYEE BENEFIT EXPENSES

	2025 RMB'000	2024 RMB'000
Wages, salaries and benefits in kind (including directors' emoluments)	4,997	8,631
Bonuses	–	–
Retirement benefit costs – defined contribution plans	1,216	2,206
	6,213	10,837

(a) Pensions – defined contribution plans

The employees of the Group's subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 16% (2024: 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the Scheme.

During the year ended 31 December 2025, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2024: Nil), leaving no balances available at the end of the reporting period to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Five highest paid individuals

For the year ended 31 December 2025, the five individuals whose emoluments were the highest in the Group include one (2024: one) director of the Company, whose emoluments have been reflected in the analysis in Note 32. The emoluments paid/payable to the remaining four (2024: four) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Wages, salaries and benefits in kind	942	890
Retirement benefit costs – defined contribution plans	114	142
	1,056	1,032

The emoluments of the highest paid individuals who are not the directors of the Company fell within the following band:

	Number of individuals	
	2025	2024
Emolument band		
Nil to HK\$1,000,000	4	4

11 INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Deferred tax (Note 28)	53	47

(i) Cayman Islands and British Virgin Islands (“BVI”) profits tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2025 and 2024.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits in Hong Kong during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11 INCOME TAX EXPENSE *(Continued)*

(iii) The PRC enterprise income tax (“EIT”)

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”), the applicable income tax rate for the Group’s entities in the PRC, except for Miji Electronics and Appliance (Shanghai) Limited (“**Miji Shanghai**”) which income tax rate was 15% (2024: 15%), was 25%.

Pursuant to the EIT Law, with respect to an accredited high and new technology enterprise, the tax levied on income of Miji Shanghai will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the “**Certificate**”) and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai has renewed the Certificate and will be expired on 11 November 2026.

The Group is entitled to a tax relief from the tax authority in the PRC on eligible research and development cost incurred for the years ended 31 December 2025 and 2024. The Group can claim an extra 75% tax deduction based on those eligible research and development cost incurred at an applicable tax rate.

(iv) Withholding tax on distributed profits

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the Mainland of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland of China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

As the Group’s Hong Kong resident enterprise met this requirement by holding the necessary equity interest, they are eligible for the reduced withholding tax rate of 5% on dividends paid by the PRC resident enterprise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11 INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2025 RMB'000	2024 RMB'000
Loss before taxation	(35,963)	(35,958)
Less: Share of net loss of an associate	658	342
Share of net loss of a joint venture	367	–
	(34,938)	(35,616)
Tax calculated at applicable domestic tax rates in the respective jurisdictions	(8,202)	(8,256)
Tax effect of expenses not deductible for tax purposes	2,672	1,300
Tax effect of tax losses not recognised	5,583	7,003
Income tax expenses	53	47

12 LOSS PER SHARE

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

	2025	2024
Loss		
Loss attributable to owners of the Company (RMB'000)	(35,561)	(35,850)
Number of shares		(Restated)
Weighted average number of ordinary shares in issue (note)	268,120,371	714,672,584

Note: The weighted average number of ordinary shares used to calculate the basic loss per share attributable to owners of the Company for the years ended 31 December 2025 and 2024 have been adjusted to reflect the rights issue (note 24) which was completed during the year ended 31 December 2025 and the share consolidation that became effective on 2 April 2024. Accordingly, the weighted average number of ordinary shares for the year ended 31 December 2024 has been restated.

For the year ended 31 December 2025, the diluted loss per share was the same as the basic loss per share as the computation of the diluted loss per share does not assume the exercise of the Company's share options because the assumed exercise would result in a decrease in loss per share.

For the year ended 31 December 2024, the diluted loss per share was the same as there were no potential dilutive ordinary shares in existence during the year presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2025:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital	Effective interest held as at	
				2025	2024
Directly held by the Company:					
Miji Holdings Limited	BVI, limited liability company	Investment holding, Hong Kong	USD100	100%	100%
Artificial Intelligence Investment Limited	The BVI, limited liability company	Investment holding, Hong Kong	USD50,000	100%	N/A
Intelligence Health Investment Co., Ltd	The BVI, limited liability company	Investment holding, Hong Kong	USD50,000	100%	100%
Indirectly held by the Company:					
Miji International Group Limited	The BVI, limited liability company	Investment holding, Hong Kong	USD1	100%	100%
Miji Hong Kong Investments	Hong Kong, limited liability company	Investment holding and sale of cooking appliances, Hong Kong	HK\$20,000	100%	100%
Miji Shanghai	The PRC, limited liability company	Design, manufacture and sale of cooking appliances, the PRC	USD6,750,000	100%	100%
Miji Household Appliances (Shanghai) Co., Ltd (formerly known as "MKY Shanghai Mikaiyi Kitchen Co. Limited")*	The PRC, limited liability company	Distribution of cabinets, electrical appliances and equipment for kitchen use, the PRC	RMB3,000,000	51%	100%
Beijing Miji Electronics and Appliances Limited*	The PRC, limited liability company	Design, manufacture and sale of cooking appliances, the PRC	RMB1,000,000	100%	100%
Miji Intelligent Equipment (Guangdong) Co., Ltd (formerly known as "Miji Smart Home Appliance Manufacturing (Shanghai) Co., Ltd")	The PRC, limited liability company	Sale of components of cooking appliances, the PRC	RMB5,000,000	100%	100%
Eminent Way Limited	The BVI, limited liability company	Investment holding, Hong Kong	USD1	100%	100%
Eminent Way (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding, Hong Kong	HK\$10,000	100%	100%
Shanghai Miyiji Keji Company Limited*	The PRC, limited liability company	Research and development, the PRC	RMB20,000,000	100%	100%
米嘉凯萨家居 (上海) 有限公司	The PRC, limited liability company	Distribution of cabinets, electrical appliances and equipment for kitchen use, the PRC	RMB1,000,000	51%	51%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital	Effective interest held as at	
				2025	2024
Intelligence Health Holdings Co., Limited	Hong Kong, limited liability company	Research and development, Hong Kong	HKD10,000	100%	100%
深圳灿動健康科技有限公司	The PRC, limited liability company	Research and development, the PRC	RMB1,000,000	100%	N/A
青島灿動健康科技有限公司	The PRC, limited liability company	Research and development, the PRC	RMB1,000,000	100%	N/A
安徽永元康健康產業有限公司	The PRC, limited liability company	Transportation and storage postal services, the PRC	RMB5,000,000	51%	N/A
AI Health Investment Limited	Hong Kong, limited liability company	Inactive, Hong Kong	HKD10,000	100%	N/A
Miji (Shanghai) Home Technology Co., Ltd	The PRC, limited liability company	Inactive, the PRC	RMB2,000,000	51%	N/A

* For identification purpose only

14 INVESTMENT IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position is as follows:

	2025 RMB'000	2024 RMB'000
As at 1 January	658	7,665
Disposal of interest in an associate	–	(6,665)
Share of loss	(658)	(342)
As at 31 December	–	658

Set out below is the information of the associates of the Group as at 31 December 2025 and 2024. The associates listed below have share capital consisting solely of ordinary shares, which are held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14 INVESTMENT IN AN ASSOCIATE (Continued)

Nature of investment in associates:

Name	Place of incorporation	Principal activities	Effective interest held as at 31 December	
			2025	2024
深圳新辰潤科科技有限公司 (Shenzhen Xinchunrunke Technology Co., Ltd.*) ("Shenzhen Xinchunrunke") (Note)	The PRC	Software and information technology services	10%	10%

* For identification purpose only

Note: The Group is able to exercise significant influence over Shenzhen Xinchunrunke because it has the power to participate in the making of significant financial and operating decisions under the provisions stated in the articles of association of Shenzhen Xinchunrunke.

During the year ended 31 December 2024, the Group disposed of its 24% equity interest in Shanghai Volcano Spring to an independent third party without any consideration while the investment cost payable by the Group of RMB7,200,000 was waived. A gain on disposal of investment in an associate of RMB535,000 has been recognised in other gains (losses), net in the consolidated statement of comprehensive income.

The management assessed that the Group has significant influence but not control over Shenzhen Xinchunrunke, as such, Shenzhen Xinchunrunke is accounted for associates of the Group under equity method.

	2025 RMB'000	2024 RMB'000
Shenzhen Xinchunrunke	-	658

There are no contingent liabilities relating to the Group's interests in the associate.

No summarised financial information of associates is disclosed as the management considered that the associates are not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
Cost						
At 1 January 2024	14,857	15,557	2,491	1,381	3,128	37,414
Additions	–	86	74	–	–	160
Disposals	–	(61)	(368)	–	(11)	(440)
At 31 December 2024	14,857	15,582	2,197	1,381	3,117	37,134
Additions	–	–	2,399	–	–	2,399
Write off	–	–	(224)	–	–	(224)
At 31 December 2025	14,857	15,582	4,372	1,381	3,117	39,309
Accumulated depreciation						
At 1 January 2024	6,935	12,539	2,012	843	2,600	24,929
Charge for the year	669	1,574	124	109	186	2,662
Disposals	–	(61)	(315)	–	(10)	(386)
At 31 December 2024	7,604	14,052	1,821	952	2,776	27,205
Charge for the year	1,091	610	261	101	60	2,123
Write off	–	–	(201)	–	–	(201)
At 31 December 2025	8,695	14,662	1,881	1,053	2,836	29,127
Carrying amount						
At 31 December 2025	6,162	920	2,491	328	281	10,182
At 31 December 2024	7,253	1,530	376	429	341	9,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation were included in the following categories in the consolidated statement of comprehensive income:

	2025 RMB'000	2024 RMB'000
Cost of sales	584	782
Selling and distribution expenses	271	359
Administrative expenses	1,029	1,219
Research and development expenses	239	302
	2,123	2,662

As at 31 December 2025, the Group's buildings amounting to RMB6,162,000 (2024: RMB7,253,000), were pledged as collateral for the Group's bank borrowings. Details of which are set out in Note 27.

Impairment assessment

The directors of the Company have conducted impairment assessment on recoverable amount to the property, plant and equipment. The impairment of right-of-use assets and land use right is assessed to be insignificant. The impairment required for these balance was minimal.

The Group carried out reviews of the recoverable amounts whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The reviews were performed at cash-generating unit ("CGU") level, which is determined as the two segments, which are development, manufacturing and selling of kitchen appliance ("kitchen appliance") and selling of health-related products ("health-related products") respectively.

For the year ended 31 December 2025, the directors of the Company assessed for whether CGUs have any impairment indicator by considering whether it recorded operating loss in recent two reporting periods. The Group incurred operating loss in the CGU in kitchen appliance and health-related products in recent two reporting periods, but there are no any non-current assets in the CGU in health-related products. The recoverable amounts of the property, plant and equipment allocated to the CGU in kitchen appliance have been determined based on their fair value less costs of disposal which were valued on 31 December 2025 by Migo Corporation Limited (2024: Migo Corporation Limited), an independent professional valuer not related to the Group.

For the purpose of impairment assessment, the directors of the Company estimated the recoverable amounts for property, plant and equipment allocated to the CGU in kitchen appliance was RMB43,665,000 as at 31 December 2025 (2024: RMB46,563,000) and the relevant carrying amounts of these property, plant and equipment was RMB17,148,000 as at 31 December 2025 (2024: RMB16,816,000).

The Group uses direct comparison to estimate the fair value less costs of disposal of the assets which is based on comparable sales transactions as available in the relevant market. The fair value measurement is categorised into Level 3 fair value hierarchy. In estimating the fair values of the properties, the highest and best use of the properties is their current use, and the major assumptions are as follows:

Value technique(s)	Significant unobservable input(s)	Sensitivity
Direct comparison approach	Recent transaction price, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, which ranged from RMB8,000 to RMB38,000 (2024: RMB9,000 to RMB40,000) per square metre.	A significant increase in the recent transaction price would result in a significant increase in fair value, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
Office premises and warehouses	–	250
Lease liabilities		
Current	–	253

Additions to the right-of-use assets during the year ended 31 December 2025 were RMB nil (2024: RMB153,000). During the year ended 31 December 2024, the Group experienced a lease modification due to a reduction in rent; which resulted in a decrease in the net carrying amount of right-of-use assets and lease liabilities by RMB522,000.

(b) Amounts recognised in the consolidated statement of comprehensive income

	Notes	2025 RMB'000	2024 RMB'000
Depreciation of right-of-use assets			
Office premises and warehouses	9	(250)	(1,248)
Interest expense (included in finance costs)	8	(3)	(32)
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	9	(321)	(442)

The total cash outflow for leases for the year ended 31 December 2025 was RMB577,000 (2024: RMB1,735,000).

(c) The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 2 months to 12 months without extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

There are no variable lease payments contained in the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17 LAND USE RIGHTS

The Group's interests in land use rights represent right-of-use assets for land and their net carrying values are analysed as follows:

	RMB'000
Cost	
At 1 January 2024, 31 December 2024 and 31 December 2025	9,386
Accumulated amortisation	
At 1 January 2024	1,223
Charge for the year	211
At 31 December 2024	1,434
Charge for the year	211
At 31 December 2025	1,645
Carrying amount	
At 31 December 2025	7,741
At 31 December 2024	7,952

As at 31 December 2025, the Group's land use rights amounting to RMB7,741,000 (2024: RMB7,952,000), were pledged as collateral for the Group's bank borrowings. Details of which are set out in Note 27.

18 INVESTMENT IN A JOINT VENTURE

The amount recognised in the consolidated statement of financial position is as follows:

	2025 RMB'000	2024 RMB'000
As at 1 January	510	–
Investment in a joint venture	–	510
Share of loss of a joint venture	(367)	–
As at 31 December	143	510

Set out below is the information of the joint venture of the Group as at 31 December 2025 and 2024. The Joint venture listed below have share capital consisting solely of ordinary shares, which are held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18 INVESTMENT IN A JOINT VENTURE *(Continued)*

Nature of investment in joint venture:

Name	Place of incorporation/ Principal place of business	Principal activities	Effective interest held as at 31 December	
			2025	2024
君澤慧科（廣州）醫藥科技 有限公司	The PRC	Technology Promotion and Application Services	51%	51%

In the opinion of the directors of the Company, the joint venture is not material to the Group and no disclosure of the financial information is considered necessary.

19 INTANGIBLE ASSETS

	Software RMB'000
Cost	
At 1 January 2024, 31 December 2024 and 31 December 2025	1,241
Accumulated amortisation	
At 1 January 2024	974
Charge for the year	117
At 31 December 2024	1,091
Charge for the year	70
At 31 December 2025	1,161
Carrying amount	
At 31 December 2025	80
At 31 December 2024	150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20 CATEGORIES OF FINANCIAL INSTRUMENTS

	2025 RMB'000	2024 RMB'000
Financial assets at amortised cost		
Trade receivables	6,227	24,645
Other receivables and deposits	60,571	10,453
Amount due from a non-controlling interest	1,338	358
Cash and cash equivalents	27,074	2,299
Financial liabilities at amortised cost		
	2025 RMB'000	2024 RMB'000
Financial liabilities at amortised cost and lease liabilities		
Trade and other payables	24,378	21,582
Borrowings	46,196	60,487
Amounts due to an associate	1,000	1,000
Amount due to a director	3,269	1,750
Amount due to a joint venture	510	510
Lease liabilities	-	253

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21 INVENTORIES

	2025 RMB'000	2024 RMB'000
Parts and components	6,643	6,483
Finished goods	10,834	24,230
	17,477	30,713

For the year ended 31 December 2025, the cost of inventories recognised as expense and included in cost of sales and research and development expenses amounted to approximately RMB43,140,000 and RMB523,000 respectively (2024: RMB81,013,000 and RMB490,000).

The write-down on inventories amounted to RMB6,231,000 (2024: RMB3,730,000), which were recognised as an expense during the year ended 31 December 2025 and included in above as cost of inventories recognised as expense and included in cost of sales in the consolidated statement of comprehensive income.

22 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2025 RMB'000	2024 RMB'000
Trade receivables	18,268	38,578
Less: ECL allowance	(12,041)	(13,933)
	6,227	24,645

The carrying amounts of the trade receivables approximate their fair value and are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(a) Trade receivables *(Continued)*

The Group's credit terms to trade receivables are generally 60 to 270 days. The ageing analysis of the gross trade receivables, based on invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
1–30 days	2,935	15,425
31–60 days	3,052	907
61–90 days	118	9,810
Over 90 days	12,163	12,436
	18,268	38,578

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime ECL allowance for all trade receivables.

Movements in the Group's provision for ECL allowance of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
Beginning of year	13,933	9,909
Net (decrease) increase in ECL allowance recognised in profit or loss during the year	(1,892)	4,024
End of year	12,041	13,933

Information about the ECL of trade receivables and the Group's exposure to credit risk is set out in Note 3.1(b).

As at 31 December 2025, include in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB12,069,000 (2024: RMB13,359,000) which are past due as at the reporting date. Out of the past due balances, RMB117,000 (2024: RMB154,000) has been past due 90 days or more and is not considered as in default as the Group has good understanding on the financial position of the counter parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	2025 RMB'000	2024 RMB'000
Non-current		
Deposits and prepayments	3,852	210
Current		
Prepayments (i)	10,773	48,161
Deposits paid to consignment stores	4,691	5,525
Value added tax recoverable	1,228	1,182
Receivable from a supplier (ii)	53,973	–
Other receivables	2,409	5,136
	73,074	60,004
Less: ECL allowance of other receivables	(502)	(208)
	72,572	59,796
Total	76,424	60,006

(i) Nature of prepayments

	2025 RMB'000	2024 RMB'000
Purchase of inventories*	–	48,161
Prepaid expenses in respect of existing operation	3,442	–
Prepaid expenses in respect of potential new operation	7,331	–
	10,773	48,161

* The amount was expected to be utilised within twelve months after the end of reporting period, therefore it was classified as current assets.

The carrying amounts of other receivables, deposits and prepayments approximate their fair values and are mainly denominated in RMB.

(ii) As at 31 December 2025, the amount represented the receivable from a supplier as a result of prepayments refundable due to the cancellation of purchase contracts with the unutilised amount as the supplier was unable to supply the products during the year ended 31 December 2025. As at 31 December 2025, the management of the Group expects the amount to be fully recoverable and such receivable has been fully received by the Group as at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23 CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents		
– Cash at bank	27,062	2,285
– Cash on hand	12	14
Total cash and bank balances	27,074	2,299

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	5,015	348
EURO	–	171
USD	21,839	–
HK\$	220	1,780
	27,074	2,299

For the year ended 31 December 2025, the bank balances carried interest at prevailing market interest rate of approximately 0.06% (2024: 0.15%) per annum.

As at 31 December 2025, the Group had cash at banks amounting to approximately RMB5,015,000 (2024: RMB348,000) which are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:				
As at 1 January 2024	1,890,300,000	18,903	16,109	96,223
Share consolidation (b)	(1,814,688,000)	–	–	–
Issue of shares (a)	42,310,000	10,578	9,649	10,570
As at 31 December 2024 and 1 January 2025	117,922,000	29,481	25,758	106,793
Issuance of shares on rights issue, net of transaction costs (c)	242,837,879	60,709	55,498	(3,958)
Capital reduction (d)	–	(89,829)	(80,941)	–
As at 31 December 2025	360,759,879	361	315	102,835

The total authorised number of ordinary shares is 150,000,000,000 shares (2024: 400,000,000 shares), with a par value of HK\$0.001 per share (2024: HK\$0.25 per share).

- (a) On 3 July 2024, a total of 42,310,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.52 per placing share pursuant to the terms and conditions of the placing agreement, representing (i) approximately 55.96% of the issued share capital of the Company immediately before completion; and (ii) approximately 35.88% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares.
- (b) On 2 April 2024, the Company had the share consolidation of every twenty-five issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company into one consolidated share of par value of HK\$0.25 each in the share capital of the Company and the total number of issued shares of the Company became 75,612,000 shares immediately upon share consolidation.
- (c) On 7 March 2025, the board of directors proposed to a rights issue on the basis of three right shares for every one share held by the qualifying shareholders on the record date at a subscription price of HK\$0.25 per rights share. On 17 June 2025, the Company completed the rights issue and issued 242,837,879 rights shares of HK\$0.25 each at a subscription price of HK\$0.25 per rights share on the basis of three rights shares for every one share held by the qualifying shareholders on the record date, raising approximately HK\$60.7 million before expenses (or approximately HK\$51.5 million after deducting all relevant expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

(d) Capital Reduction and Sub-division

Pursuant to the circular of the Company dated 15 August 2025, the Company proposed capital reduction of issued shares (the "**Capital Reduction**") and sub-division of unissued shares (the "**Sub-division**").

As at the 12 August 2025, the authorised share capital of the Company is HK\$150,000,000 divided into 600,000,000 Shares of a nominal or par value of HK\$0.25 each, of which 360,759,879 Shares have been issued and are fully paid or credited as fully paid.

- (i) the Capital Reduction whereby the nominal or par value of each issued Share was reduced from HK\$0.25 to HK\$0.001 by cancelling the paid-up capital to the extent of HK\$0.249 on each issued Share;
- (ii) the Share Sub-division whereby immediately following the Capital Reduction becoming effective, each authorised but unissued Share of a nominal or par value of HK\$0.25 was subdivided into two hundred and fifty New Shares of a nominal or par value of HK\$0.001 each; and
- (iii) the credit arising from the Capital Reduction was applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) was transferred to the distributable reserve account of the Company which may be applied by the Company in any manner permitted by all applicable laws and the memorandum and articles of association of the Company and as the board of directors considers appropriate.

After the Capital Reduction and Sub-division became effective, the authorised share capital of the Company became HK\$150,000,000 comprising 150,000,000,000 new shares, of which 360,759,879 new shares were in issue. The aggregate nominal value of the issued share capital of the Company became approximately HK\$360,760.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25 RESERVES

The reserve movements of the Group attributable to owners of the Company are as follows:

	Statutory reserves RMB'000	Exchange reserves RMB'000	Share option reserve RMB'000 (Note 34)	Other reserves RMB'000 (Note i)	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2024	15,247	(553)	–	45,688	(114,507)	(54,125)
Loss for the year	–	–	–	–	(35,850)	(35,850)
Exchange differences on translation of foreign operations	–	(518)	–	–	–	(518)
As at 31 December 2024	15,247	(1,071)	–	45,688	(150,357)	(90,493)
As at 1 January 2025	15,247	(1,071)	–	45,688	(150,357)	(90,493)
Loss for the year	–	–	–	–	(35,561)	(35,561)
Exchange differences on translation of foreign operations	–	579	–	–	–	579
Capital reduction	–	–	–	–	80,941	80,941
Recognition of equity-settled transactions	–	–	187	–	–	187
As at 31 December 2025	15,247	(492)	187	45,688	(104,977)	(44,347)

Note:

- (i) Other reserves was the cumulative capital contributions by shareholders in prior years, reduced by equity transactions carried out with shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (Note (a))	17,287	12,710
Other payables and accruals (Note (b))	11,833	16,161
	29,120	28,871

Trade payables and other payables approximate their fair values and are denominated in RMB. Included in the trade and other payables, there was RMB316,000 (2024: RMB324,000) amount due to a shareholder, Mr. Wu Huizhang (Note 30(d)).

Notes:

(a) Trade payables

As at 31 December 2025, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
1–30 days	8,498	5,336
31–60 days	677	1,527
61–90 days	1,353	319
Over 90 days	6,759	5,528
	17,287	12,710

(b) Other payables

	2025 RMB'000	2024 RMB'000
Accrued staff costs	1,617	2,261
Accrual for social security costs	1,116	1,401
VAT payable	2,009	3,627
Security deposit from customers	2,010	2,350
Other payables	5,081	6,522
Total	11,833	16,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27 BORROWINGS

	2025 RMB'000	2024 RMB'000
Current		
Bank borrowings	21,500	23,000
Other borrowings	20,426	31,218
	41,926	54,218
Non-current		
Bank borrowings	4,270	4,510
Other borrowings	–	1,759
	4,270	6,269
	46,196	60,487

As at 31 December 2025, the borrowings amounting to RMB6,400,000 and RMB39,796,000 (31 December 2024: RMB9,900,000 and RMB50,587,000) were carried at floating rate and fixed rate respectively. The weighted average interest rates are 3.14% (2024: 4.54%) per annum.

	2025 RMB'000	2024 RMB'000
Borrowing – unsecured	20,426	32,977
Borrowing – secured	25,770	27,510
	46,196	60,487

As at 31 December 2025, bank borrowings of RMB25,770,000 (2024: RMB27,510,000) were secured by the land use rights (Note 17) and buildings (Note 15) with total value of RMB13,903,000 (2024: RMB15,205,000). No other borrowings were secured by the Company's ordinary shares as at 31 December 2025 and 2024.

Included in the borrowings, there was RMB6,400,000 (2024: RMB6,400,000) borrowing from the director, Madam Maeck Can Yue (Note 30(d)).

As at 31 December 2025, the Group's borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 6 months	19,570	27,195
Between 6 and 12 months	22,356	27,023
Between 1 and 2 years	240	1,999
Between 2 and 5 years	1,380	1,380
Over 5 years	2,650	2,890
	46,196	60,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27 BORROWINGS (Continued)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB RMB'000	HK\$ RMB'000
As of 31 December 2025	34,740	11,456
As of 31 December 2024	33,910	26,577

28 DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	Right-of-use assets and lease liabilities RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
Deferred income tax assets (liabilities)			
As at 1 January 2024	40	(315)	(275)
(Charged) Credited to the consolidated statement of comprehensive income	8	(55)	(47)
As at 31 December 2024	48	(370)	(322)
As at 1 January 2025	48	(370)	(322)
Credited (Charged) to the consolidated statement of comprehensive income	1	(54)	(53)
As at 31 December 2025	49	(424)	(375)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2025, the Group did not recognise deferred tax assets of approximately RMB33,333,000 (2024: RMB34,826,000) in respect of accumulated tax losses amounting to approximately RMB133,331,000 (2024: RMB139,305,000) that can be carried forward against future taxable income. As at 31 December 2025, in respect of the accumulated tax losses, RMB31,082,000, RMB23,886,000, RMB29,122,000, RMB27,075,000 and RMB22,166,000 will expire in 2026, 2027, 2028, 2029 and 2030, respectively.

As at 31 December 2025, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB216,000 (2024: RMB2,550,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28 DEFERRED TAX (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	49	48
Deferred tax liabilities	(424)	(370)
	(375)	(322)

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash (used in) generated from operations

	2025 RMB'000	2024 RMB'000
Cash flows from operating activities		
Loss before taxation	(35,963)	(35,958)
Adjustments for:		
Finance income	(423)	(5)
Finance costs related to borrowings	3,134	4,130
Finance costs related to leases	3	32
Write off of property, plant and equipment	23	–
Gain on disposal of investment in an associate (Note b)	–	(535)
Depreciation of property, plant and equipment	2,123	2,662
Amortisation of land use rights	211	211
Depreciation on right-of-use assets	250	1,248
Amortisation of intangible assets	70	117
Impairment loss on inventories	6,231	3,730
(Reversal of impairment losses) impairment losses on financial assets	(1,598)	4,024
Share of net loss of an associate	658	342
Cost of equity-settled transactions	187	–
Share of net loss of a joint venture	367	–
Operating cash flows before movements in working capital	(24,727)	(20,002)
Decrease in inventories	7,005	15,737
Decrease (increase) in trade receivables	20,310	(10,263)
Increase in other receivables, deposits and prepayments	(17,002)	(43,609)
(Decrease) increase in trade and other payables	(1,866)	4,395
Increase in contract liabilities	4,669	104
Change in balance with an associate	–	16,676
Increase in amount due to a director	1,519	1,750
Net cash used in operations	(10,092)	(35,212)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Reconciliation of loss before taxation to cash (used in) generated from operations (Continued)

Notes:

(a) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2025 RMB'000	2024 RMB'000
Net book amount	–	54
Proceeds from disposal of property, plant and equipment	–	54

(b) In the consolidated statement of cash flows, proceeds from disposal of investment in an associate comprise:

	2025 RMB'000	2024 RMB'000
Carrying amount of investment in an associate (Note 14)	–	6,665
Gain on disposal of investment in an associate (Note 7) (Note 14)	–	535
Less: amount due to an associate	–	(7,200)
Total consideration (Note 14)	–	–

(c) Non-cash transactions:

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets and lease modification (Note 16)
- acquisition of interest in an associate (Note 14)
- disposal of interest in an associate (Note 14)
- acquisition of interest in a joint venture (Note 18)
- Intercompanies acquisition of property, plant and equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to the then non- controlling interest RMB'000	Total RMB'000
As at 1 January 2024	69,499	1,897	1,650	73,046
Financing cash flows, net	(13,778)	(1,293)	(1,650)	(16,721)
Addition of lease liabilities	–	153	–	153
Foreign exchange adjustments	636	–	–	636
Finance costs	4,130	32	–	4,162
Lease modification	–	(536)	–	(536)
As at 31 December 2024	60,487	253	–	60,740
As at 1 January 2025	60,487	253	–	60,740
Financing cash flows, net	(16,770)	(256)	–	(17,026)
Foreign exchange adjustments	(655)	–	–	(655)
Finance costs	3,134	3	–	3,137
As at 31 December 2025	46,196	–	–	46,196

30 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year ended 31 December 2025:

Name of the related parties	Relationship with the Group
Shanghai Volcano Spring	Associate of the Group (Note i)
Shenzhen Xinchunrunke	Associate of the Group
Madam Maeck Can Yue	An executive director of the Company
Mr. Wu Huizhang	An executive director and a shareholder of the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

- (i) During the year ended 31 December 2024, the Group has entered into a sale and purchase agreement to dispose of its 24% equity interest in Shanghai Volcano Spring. The transaction has completed in February 2024 and Shanghai Volcano Spring ceased to be an associate of the Group upon the completion of the transaction.

(b) **Transactions with related party**

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2025, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	2025 RMB'000	2024 RMB'000
Borrowings from		
– Madam Maeck Can Yue	6,400	6,400
Interest expenses to		
– Madam Maeck Can Yue	184	83

The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

(c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services for the year is shown below:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	810	1,693
Retirement benefit cost – defined contribution plans	–	–
	810	1,693

(d) Balances with related parties

	2025 RMB'000	2024 RMB'000
Amount due from/(to) the related parties		
Shenzhen Xinchunrunke (Note i)	(1,000)	(1,000)
Madam Maeck Can Yue (Note ii)	(9,669)	(8,150)
Mr. Wu Huizhang (Note iii)	(316)	(324)
君澤慧科(廣州)醫藥科技有限公司 (Note iii)	(510)	(510)

Notes:

- (i) As at 31 December 2025, the balance represents the unpaid capital for 10% equity interest in Shenzhen Xinchunrunke amounted to RMB1,000,000 (2024: RMB1,000,000).
- (ii) As at 31 December 2025, the balance included in current portion of borrowings, which is unsecured, bearing an interest rate of 2.9% per annum and repayable within one year amounted to RMB6,400,000 (2024: RMB6,400,000).
- (iii) As at 31 December 2025 and 2024, the balance represents payable in non-trade nature, unsecured, interest-free and repayable on demand.

The balances were denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	2025 RMB'000	2024 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	39,868	73,113
Current assets		
Amounts due from subsidiaries	–	3,610
Prepayments and other receivables	8,769	44
Cash and cash equivalents	21,874	1,726
	30,643	5,380
Total assets	70,511	78,493
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	315	25,758
Share premium (note)	102,835	106,793
Reserves (note)	(45,833)	(92,938)
Total equity	57,317	39,613
LIABILITIES		
Non-current liability		
Borrowings	–	1,759
Current liabilities		
Other payables	1,738	1,028
Borrowings	11,456	24,818
Amount due to a subsidiary	–	11,275
	13,194	37,121
Total liabilities	13,194	38,880
Total equity and liabilities	70,511	78,493

The statement of financial position of the Company was approved by the Boards of directors on 31 March 2026 and were signed on its behalf.

Madam Maeck Can Yue
Director

Mr. Zhao Jie
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

Note:

Share premium and reserves movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000 (Note (a))	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2024	96,223	–	73,113	(68,893)	100,443
Loss for the year	–	–	–	(97,158)	(97,158)
Issuance of shares, net of transaction costs (Note 24)	10,570	–	–	–	10,570
As at 31 December 2024	106,793	–	73,113	(166,051)	13,855
As at 1 January 2025	106,793	–	73,113	(166,051)	13,855
Loss for the year	–	–	–	(34,023)	(34,023)
Issuance of shares on rights issue, net of transaction costs (Note 24)	(3,958)	–	–	–	(3,958)
Capital reduction (Note 24)	–	–	–	80,941	80,941
Recognition of equity-settled-transactions (Note 34)	–	187	–	–	187
As at 31 December 2025	102,835	187	73,113	(119,133)	57,002

Note:

- (a) The investment in a subsidiary was accounted for using the net asset value at the date of the reorganisation. The difference between the net asset value and the nominal value of issued share capital for the acquisition amounted to approximately RMB73,113,000 was credited as other reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2025:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Mr. Zhao Jie (Chairperson)	-	-	-	-	-	-	-	-	-
Madam Maeck Can Yue	-	271	-	-	-	-	-	-	271
Mr. Wu Huizhang	-	-	-	-	-	-	-	-	-
	-	271	-	-	-	-	-	-	271
Non-executive directors									
Dr. Zheng Jingwen (note i)	-	-	-	-	-	-	-	-	-
Ms. Zhang Yuanjie (note ii)	55	-	-	-	-	-	-	-	55
Independent non-executive directors									
Mr. Wang Shih-Fang (note iii)	55	-	-	-	-	-	-	-	55
Mr. Li Wei	-	-	-	-	-	-	-	-	-
Mr. Shen Shujing	110	-	-	-	-	-	-	-	110
Mr. Lin Dongming	110	-	-	-	-	-	-	-	110
Total	330	271	-	-	-	-	-	-	601

Notes:

- (i) Dr. Zheng Jingwen was resigned as a non-executive director of the Company on 2 July 2025.
- (ii) Ms. Zhang Yuanjie was appointed as a non-executive director of the Company on 2 July 2025.
- (iii) Mr. Wang Shih-Fang was resigned as an independent non-executive director of the Company on 2 July 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2024:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Mr. Zhao Jie (Chairperson) (note i)	-	-	-	-	-	-	-	-	-
Madam Maeck Can Yue	-	333	-	-	-	-	-	-	333
Mr. Wu Huizhang	-	-	-	-	-	-	-	-	-
	-	333	-	-	-	-	-	-	333
Non-executive director									
Dr. Zheng Jingwen (note ii)	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
Mr. Wang Shih-Fang	109	-	-	-	-	-	-	-	109
Mr. Yan Chi Ming (note iii)	46	-	-	-	-	-	-	-	46
Mr. Hooi Hing Lee (note iii)	46	-	-	-	-	-	-	-	46
Mr. Li Wei	-	-	-	-	-	-	-	-	-
Mr. Shen Shujing (note iv)	64	-	-	-	-	-	-	-	64
Mr. Lin Dongming (note iv)	64	-	-	-	-	-	-	-	64
Total	329	333	-	-	-	-	-	-	662

Notes:

- (i) Mr. Zhao Jie was appointed as executive director of the Company on 1 August 2024.
- (ii) Dr. Zheng Jingwen was appointed as non-executive director of the Company on 2 September 2024.
- (iii) Mr. Yan Chi Ming and Mr. Hooi Hing Lee were resigned as independent non-executive directors of the Company on 31 May 2024.
- (iv) Mr. Shen Shujing and Mr. Lin Dongming were appointed as independent non-executive directors of the Company on 31 May 2024.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2024: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2024: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2025, the Company did not pay consideration to any third parties for making available directors' services (2024: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 30, there are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2025 (2024: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2025 (2024: Nil).

33 NON-CONTROLLING INTEREST ("NCI")

(a) Amount due from a NCI

As at 31 December 2025, the amount due from a NCI are unsecured, interest-free and repayable on demand amounted to RMB1,338,000 (2024: RMB358,000).

(b) In the opinion of the directors of the Company, the subsidiary which has non-controlling interest not material to the Group and no disclosure of the financial information is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34 SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 24 June 2018, which became effective on 16 July 2018. The purpose of which is to motivate the relevant participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The board of directors may, at its absolute discretion, grant options to any employee (full-time or part-time), directors, consultant or adviser of the Group (together, the “**Participants**” and each a “**Participant**”).

The maximum number of shares, which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not in aggregate exceed 10% of the total number of shares in issue as at 16 July 2018, i.e. 6,000,000 shares (adjusted for the number of shares with the share consolidation on 2 April 2024).

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. The vesting period for options shall not be less than 12 months. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant with 7 days inclusive of the day on which such offer was made.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board of directors and notified to a Participant and shall be at least highest of: (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant of the option; (b) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years after the adoption date and the remaining life of the Share Option Scheme is 3 years.

During the year ended 31 December 2025, a total of 6,000,000 options were granted to eligible employees. There were no exercises, cancellations or lapses of share options during the year ended 31 December 2025.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 6,000,000, representing approximately 1.66% of the issued shares of the Company.

As at 1 January 2025 and 31 December 2025, the number of share options available for grant under the share option scheme mandate was 6,000,000 (after the share consolidation effective on 2 April 2024) and nil respectively; and the number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2025 is 6,000,000 representing 2.20% of the weighted average number of shares of the relevant class in issue of the Company for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34 SHARE OPTION SCHEME (Continued)

At 31 December 2025, the employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2025 was HK\$0.485) for consideration of HK\$1 for each grant under the share option scheme of the Company. As at 31 December 2025, the total fair value at grant date of unexercised vested options and unvested options, measured in accordance with the accounting policy set out in note 2.17 to the consolidated financial statements, amounted to HK\$Nil and HK\$994,576, respectively. The options are unlisted. Once vested, each option gives the holders the right to subscribe for one ordinary share of the Company. Assuming that all the options outstanding as at 31 December 2025 were exercised, the Company would receive proceeds of HK\$1,950,000.

	No. of options outstanding at the beginning of the year	No. of options granted during the year	Numbers of options exercised during the year	Numbers of options cancelled/lapsed during the year	No. of options outstanding at the end of the year	Date granted	Vesting period	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of option
Employees	-	6,000,000	-	-	6,000,000	15 October 2025	15 October 2025 to 14 October 2026	15 October 2026 to 14 October 2035	HK\$0.325	HK\$0.166

The closing price of the shares immediately before the date on which the options were granted on 15 October 2025 was HK\$0.325 per share.

The grant date fair value of options granted to the employees participants during the year ended 31 December 2025 is HK\$994,576. Information on the accounting policy adopted for share options granted in accordance with HKFRS 2, *Share-based Payment*, and the methodology and assumption used in calculating the fair value of the options are provided in note 2.17 to the consolidated financial statements.

The closing price of the Company's shares immediately before 15 October 2025, the date of grant, was HK\$0.325.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2025
Weighted average share price	HK\$0.325
Exercise price	HK\$0.325
Expected volatility	51.1%
Expected life	10 years
Risk-free rate	2.9%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the valuer's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB187,000 for the year ended 31 December 2025 (2024: nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions.