

WINSHINE

瀛晟科學

Winshine Science Company Limited

瀛晟科學有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 209

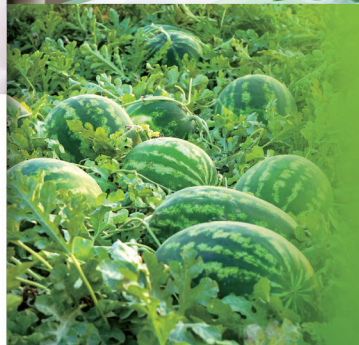


2025

ANNUAL REPORT



* For identification purpose only



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Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	the Board of Directors of the Company
“Company”	Winshine Science Company Limited
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix C3 to the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this report, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cents”	Hong Kong dollars and cents
“%”	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Jingyu (*Chairlady and Chief Executive Officer*)
Mr. Yiu Chun Kong

Independent Non-executive Directors

Ms. Wu Yan Yee
Ms. Wong Tin Ying Jade
Mr. Guo Jianwei

AUDIT COMMITTEE

Ms. Wu Yan Yee (*Chairlady*)
Ms. Wong Tin Ying Jade
Mr. Guo Jianwei

REMUNERATION COMMITTEE

Ms. Wong Tin Ying Jade (*Chairlady*)
Ms. Wu Yan Yee
Mr. Guo Jianwei

NOMINATION COMMITTEE

Ms. Wong Tin Ying Jade (*Chairlady*)
Ms. Wu Yan Yee
Mr. Guo Jianwei

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 209)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1501, 15th Floor,
Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co. Ltd. Hong Kong Branch
China Guangfa Bank Co., Ltd Zhongshan Branch

AUDITOR

Confucius International CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179, Hamilton HM EX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

<http://www.winshine.com>
<http://www.tricor.com.hk/web/service/000209>

The above information is updated to 23 April 2026, being the latest practicable date prior to the printing of this annual report.

Chairlady's Statement

On behalf of the Board, I am pleased to report to the Shareholders the results of the Group for the year ended 31 December 2025 (“FY2025”).

RESULTS

The Group is principally engaged in the manufacturing and sale of toys (the “**Toys Division**”) and the plantation and sale of agricultural products (the “**Agricultural Products Division**”).

For FY2025, the toys business continued to suffer in the near term due to the factors beyond the Group’s control, especially the impact of increasing tariffs imposed by the United States (the “**U.S.**”) on Chinese imports in the first half of 2025. According to China Customs data in 2025, the total toys exports in the PRC recorded a year-on-year decline for three consecutive years. The Group recorded a 25.9% decline in revenue to HK\$382.4 million (2024: HK\$515.9 million) and a loss attributable to owners of the Company of HK\$92.8 million (2024: HK\$73.0 million) primarily owing to the challenging business conditions faced by the Group.

Reflecting on the past financial years, the toy manufacturing industry has navigated a landscape filled with challenges and opportunities, both of which played a crucial role in the Group’s continued growth and success. The recent increase in tariffs imposed by the U.S. on Chinese imports has had a profound impact on the Group’s business operations. These tariffs have led to heightened customers’ product costs, which, in turn, have affected the Group’s pricing strategy and market competitiveness. As a result, there has been a continuous decline in order volumes from the U.S. customers. Another significant factor contributing to the increased loss is the rise in minimum wage levels across various regions in China together with the escalating social insurance costs. The cumulative effect of the above has placed additional pressure on the Group’s operating margins, diminishing its ability to reinvest in the business or pursue strategic growth initiatives. Overall, the Toys Division’s sales in 2025 fell short of the levels achieved in 2024.

PROSPECTS

During the year, in order to mitigate the impact of the rising U.S. tariffs, the Group focused on expanding its customer base within the domestic market in China, particularly in designer toys and blind boxes segments. Looking ahead, it is believed that there is significant potential for further growth in these segments. Our domestic clientele includes reputable brands, which position us favorably within the market.

The Group is committed to advancing automation within the toy manufacturing processes to reduce labor costs. In recent years, the Group has introduced several semi-automated technologies and 3D printing solutions. By enhancing production efficiency through automation, it aims to significantly lower operational costs while maintaining product quality and increasing output capacity.

Chairlady's Statement

The year of 2026 is likely to be characterised by a series of economic headwinds. One significant challenge is the ongoing geopolitical instability in various parts of the world. Geopolitical factors including the Israel-Iran conflicts, trade wars and shifting alliances continue to create uncertainty and impact global supply chains and trade flows. Additionally, inflationary pressures persist as central banks grapple with balancing interest rates to manage economic growth without stifling recovery efforts. It is anticipated that 2026 will be a challenging year and the Toys Division is expected to face tremendous pressure on its profit margins and turnover. While these challenges are significant, the management is committed to navigating this complex landscape through strategic initiatives aimed at improving operational efficiency, fostering innovation, and diversifying our market presence. The Board believes that by adapting to these challenges, the Company is able to achieve a long-term success in the evolving toy manufacturing industry.

Looking forward, we are cautiously optimistic as the Toys Division will continue to improve its performance and the Board shall continue to explore new business opportunities and look for new potential customers to increase the market shares.

APPRECIATION

FY2025 continued to be a challenging year for the Group. I would like to express my sincere gratitude to all Shareholders, bankers, business associates, suppliers and customers for their continuing support to the Group, and to my fellow directors and all staff members for their valuable contributions and hard work during the past year.

Wang Jingyu

Chairlady

Hong Kong, 27 March 2026

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2025 (“**FY2025**”), the Group is principally engaged in the manufacturing and sale of toys (the “**Toys Division**”) and the plantation and sale of agricultural products (the “**Agricultural Products Division**”).

For FY2025, the toys business continued to suffer in the near term due to factors beyond the Group’s control, especially the impact of increasing tariffs imposed by the United States (the “**U.S.**”) on Chinese imports in the first half of 2025. According to China Customs data in 2025, the total toys exports in the PRC recorded a year-on-year decline for three consecutive years. The Group recorded a 25.9% decline in revenue to HK\$382.4 million (2024: HK\$515.9 million) and a loss attributable to owners of the Company of HK\$92.8 million (2024: HK\$73.0 million) primarily owing to the challenging business conditions faced by the Group.

Reflecting on the past financial years, the toy manufacturing industry has navigated a landscape filled with challenges and opportunities, both of which played a crucial role in the Group’s continued growth and success. The recent increase in tariffs imposed by the U.S. on Chinese imports has had a profound impact on the Group’s business operations. These tariffs have led to heightened customers’ product costs, which in turn, have affected the Group’s pricing strategy and market competitiveness. As a result, there has been a continuous decline in order volumes from the U.S. customers. Another significant factor contributing to the increased loss is the rise in minimum wage levels across various regions in China together with escalating social insurance costs. The cumulative effect of the above has placed additional pressure on the Group’s operating margins, diminishing its ability to reinvest in the business or pursue strategic growth initiatives. Overall, the Toys Division’s sales in 2025 fell short of the levels achieved in 2024.

For FY2025, the Group recorded revenue of HK\$382.4 million, representing a decrease of 25.9% as compared to the revenue of HK\$515.9 million for the year ended 31 December 2024 (“**FY2024**”). The decrease in revenue was mainly due to the increase in tariffs imposed by the U.S. on Chinese imports which significantly reduce the revenue generated in Toys Division. The Group recorded a gross loss for the year of HK\$30.3 million, representing a turnaround from a gross profit of HK\$12.8 million recorded in FY2024, mainly because the existing revenue level of the Toys Division cannot cover its fixed costs.

The administrative expenses decreased from HK\$44.5 million to HK\$38.3 million mainly due to the Group’s continued implementation of strict cost control measures. In the Toys Division, the Group streamlined its production team, rearranged part of the production processes to factories with lower labour costs and froze the salary levels of other staff. Thus, the overall staff costs have decreased by 6.6% or HK\$7.2 million to HK\$102.6 million (2024: HK\$109.8 million). In addition, the Group has actively implemented various cost-saving initiatives to control both operating and administrative expenses. These measures have successfully improved operating cash flows, enabling the Group to better finance its working capital requirements while achieving a notable reduction in administrative expenses.

Management Discussion and Analysis

For FY2025, the net loss of the Group amounted to HK\$93.7 million as compared with the net loss of HK\$73.8 million in FY2024. The increase in loss for FY2025 was mainly attributable to the gross loss incurred in the Toys Division for the year primarily due to the impact on the rising U.S. tariffs during FY2025, which outweighed the decreases in the impairment losses on property, plant and equipment and right-of-use assets, and provisions of expected credit loss for trade and other receivables.

The following provides a detailed discussion on each division of the Group.

Toys Division

For FY2025, the revenue of the Toys Division comprised of sales to overseas customers of HK\$336.7 million (2024: HK\$495.5 million) and sales to domestic customers in China of HK\$45.7 million (2024: HK\$18.5 million). The aggregate revenue of the Toys Division decreased by 25.6% from HK\$514.0 million to HK\$382.4 million during the year. A gross loss of HK\$30.3 million was recorded as compared to a gross profit of HK\$13.8 million in FY2024. The decrease in both revenue and gross profit of the Toys Division were mainly due to the increase in tariffs imposed by the U.S. on Chinese imports which significantly reduce the revenue of the Toys Division and the rise in minimum wage levels across various regions in China. As a result, the Toys Division recorded a segment loss before tax of HK\$80.9 million in FY2025, as compared to the segment loss of HK\$44.5 million in FY2024.

During the year, in order to mitigate the impact of the rising U.S. tariffs, the Group focused on expanding its customer base within the domestic market in China, particularly in designer toys and blind boxes segments. The Group's domestic clientele includes reputable brands, which position it favourably within the market. Currently, the Group successfully secured trial orders from certain new domestic customers. Notably, two of these customers has already transitioned from trial orders to regular purchase orders in the first and second half of FY2025 respectively, providing the Group with stable and recurring revenue. This positive development demonstrates strong market acceptance of the Group's production capacity and validates its strategy to deepen penetration in the China domestic designer toys and blind box segments. Looking ahead, it is believed that there is significant potential for further growth in these segments.

Agricultural Products Division

For FY2025, no revenue was generated in Agricultural Products Division (2024: HK\$1.9 million). The Agricultural Products Division recorded a segment loss before tax of HK\$4.0 million (2024: HK\$3.5 million), which was mainly attributable to the impairment loss on property, plant and equipment of HK\$3.4 million.

Overall Results

For FY2025, the Group recorded a loss attributable to owners of the Company of HK\$92.8 million (2024: HK\$73.0 million) and basic loss per share was HK42.1 cents (2024: HK41.6 cents, restated upon Rights Issue (as defined hereinafter) being completed on 16 January 2026). The Group as a whole recorded a net loss of HK\$93.7 million (2024: HK\$73.8 million), with a loss of HK\$0.8 million (2024: HK\$0.7 million) being shared by the non-controlling interest. The total comprehensive expense attributable to owners of the Company was HK\$90.2 million (2024: HK\$69.9 million), after having recognised the other comprehensive income of HK\$2.6 million (2024: HK\$3.3 million) mainly representing the sum of the deferred tax credit arising from revaluation of properties, the loss on revaluation of properties and the exchange differences on translation of foreign operations.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2025, the Group had net current liabilities of HK\$296.7 million (2024: HK\$220.3 million) comprising the sum of bank balances and cash and pledged bank deposits of HK\$78.0 million (2024: HK\$55.3 million). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$537.5 million (2024: HK\$475.7 million), was at the ratio of 0.45 time (2024: 0.54 time).

As at 31 December 2025, the Group's total borrowings amounted to HK\$257.2 million (2024: HK\$217.1 million) which comprised bank loans of HK\$150.2 million (2024: HK\$139.6 million), corporate bonds of HK\$45.0 million (2024: HK\$45.0 million), secured term loans of HK\$22.0 million (2024: HK\$22.0 million), unsecured borrowings of HK\$38.0 million (2024: HK\$10.5 million) and an amount due to ultimate holding company of HK\$2.0 million (2024: nil).

As at 31 December 2025, the capital deficiencies attributable to owners of the Company increased by 56.6% to HK\$217.7 million (2024: HK\$139.0 million) mainly as a result of the operating loss incurred by the Group for the year and the increase in borrowings. The Group financed its operations through a combination of debt financing and shareholders' equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, amount due to ultimate holding company, trade and bills payables, other payables and lease liabilities less bank balances and cash. The gearing ratio of the Group as at 31 December 2025 was 188.4% (2024: 156.9%).

Fund Raising Activities and Use of Proceeds

During the year and up to the date of this report, in order to improve the liquidity of the Group, the Company had conducted the following equity fund raising activities:

Date of relevant announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds as announced	Actual use of proceeds as at the date of this report
22 January 2025	Subscription of new shares under general mandate at a subscription price of HK\$0.14 per share	HK\$1.2 million	(i) approximately HK\$0.1 million for payment of professional fees; and (ii) approximately HK\$1.1 million for payment of staff salaries, office rental and utilities expenses.	Fully utilised as intended.

Management Discussion and Analysis

Date of relevant announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds as announced	Actual use of proceeds as at the date of this report
11 September 2025	Placing of new shares under general mandate at a price of HK\$0.35 per placing share	HK\$10.4 million	<ul style="list-style-type: none"> (i) approximately 50% for repayment of loans; and (ii) approximately 50% for working capital and general corporate purposes, including but not limited to, settlement of outstanding audit fees, professional fees and administrative expenses. 	<ul style="list-style-type: none"> (i) approximately 50% utilised for repayment of loans; (ii) approximately 10% utilised for settlement of outstanding audit fees; (iii) approximately 15% utilised for settlement of professional fees; and (iv) approximately 25% utilised for working capital and general corporate purposes, including staff salaries and administrative expenses.
15 October 2025	Rights issue on the basis of seven (7) rights shares (the “Rights Share(s)”) for every one (1) existing share of the Company held on the record date at a subscription price of HK\$0.14 per Rights Share on a fully underwritten basis by issuing an aggregate of 1,299,962,832 Rights Shares (the “Rights Issue”)	HK\$176.7 million	<ul style="list-style-type: none"> (i) approximately 66% for repayment of borrowings; and (ii) approximately 34% for the general working capital of the Group including (i) approximately HK\$20.0 million for the direct operational needs for the Toys Division, which includes but not limited to approximately HK\$15.0 million for the production costs and approximately HK\$5.0 million for the selling and distribution costs; and (ii) the remaining balance of approximately HK\$39.9 million for the general working capital of the Group, which refers to daily operation expenses including but not limited to staff salaries, audit and professional fees, other administrative costs, operating expenses and cash reserves. 	<ul style="list-style-type: none"> (i) approximately 67% utilised for repayment of borrowings; (ii) approximately 2% utilised for the general working capital of the Group including staff salaries and professional fees; and (iii) approximately 31% will be utilised for general working capital before 31 December 2026.

With the amount of liquid assets on hand, the unutilised net proceeds from the Rights Issue and the banking facilities, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Management Discussion and Analysis

Foreign Exchange Exposure

The monetary assets and liabilities and business transactions of the Group were mainly carried out and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimised by matching the foreign currency monetary assets versus the corresponding foreign currency liabilities, and foreign currency revenues versus the corresponding foreign currency expenditures.

When considered appropriate, the Group would enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant.

Charges on Assets

As at 31 December 2025, the Group's certain leasehold buildings and leasehold lands under right-of-use assets in the PRC with aggregate carrying amount of HK\$89.9 million (2024: HK\$93.0 million) and bank deposits of HK\$30.1 million (2024: nil) were pledged to secure general banking facilities granted to the Group and bills payable of the Group.

Contingent Liabilities

As at 31 December 2025, the Group had no significant contingent liability (2024: nil).

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For FY2025, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2024: nil).

Significant Investment

For FY2025, the Group did not have any significant investment (2024: nil).

Employee and Remuneration Policies

As at 31 December 2025, the Group employed 1,461 (2024: 1,654) employees, including directors, in Hong Kong and the PRC. The Group's total staff costs (inclusive of directors' remuneration) amounted to HK\$102.6 million (2024: HK\$109.8 million). To ensure that the Group is able to attract and retain directors and staff capable of attaining the best performance levels, remuneration packages for employees and directors were structured by reference to market terms, individual performance and experience. In addition, paid holidays, annual bonus, medical insurance, share options and subsidised training programme may also be offered to eligible employees. Remuneration policies are reviewed annually by the management of the Company. The Group's remuneration policy is structured to consider comparable position in the market and the prevailing business scale of the Group.

Management Discussion and Analysis

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

The employees of the Group’s subsidiaries in the PRC are required to participate in a central pension scheme (the “**Central Pension Scheme**”) operated by the local municipal government. These subsidiaries are required to contribute a certain amount for the employees to the scheme in accordance with the local municipal government regulations.

The Group’s contributions to the MPF Scheme and the Central Pension Scheme vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to the MPF Scheme and the Central Pension Schemes.

CHANGE OF SUBSTANTIAL SHAREHOLDER OF THE COMPANY

On 3 September 2025, Mr. Li Zhonghai (“**Mr. Li**”), the then Executive Director of the Company, had through Hurray Talent Investment Development Limited (“**Hurray Talent**”), a company wholly-owned by Mr. Li, disposed a total of 37,392,913 Shares, representing 24.16% of the then issued share capital of the Company, to Peak Access International Limited (“**Peak Access**”) (the “**Disposal**”). Peak Access is an investment holding company and is wholly-owned by Ms. Wang Jingyu (“**Ms. Wang**”), the current Executive Director, Chairlady of the Board and the Chief Executive Officer of the Company.

Following the Disposal, Hurray Talent ceased to hold any shares in the Company and ceased to be a substantial shareholder of the Company; and Peak Access has become a substantial shareholder of the Company.

For details, please refer to the announcement of the Company dated 3 September 2025.

SUBSEQUENT EVENT

On 15 October 2025, the Company proposed the Rights Issue on the basis of seven (7) Rights Shares for every one (1) existing share of the Company held on the record date at a subscription price of HK\$0.14 per Rights Share on a fully underwritten basis by issuing an aggregate of 1,299,962,832 Rights Shares.

The Rights Issue became unconditional on 9 January 2026 and was completed on 16 January 2026. The gross proceeds from the Rights Issue were approximately HK\$182.0 million and the net proceeds, after deducting the underwriting commission and all other related expenses, were approximately HK\$176.7 million.

Management Discussion and Analysis

PROPOSED CHANGE OF COMPANY NAME

On 30 January 2026, the Board proposed to change the English name of the Company from “Winshine Science Company Limited” to “Poly Xverse Intelligent Technology Co. Ltd” and to adopt “香港萬維智能科技有限公司” as its secondary name in Chinese in place of the current Chinese name of “瀛晟科學有限公司”, which has not been registered with the Registrar of Companies in Bermuda and used for identification purpose only (the “**Proposed Change of Company Name**”).

The Proposed Change of Company Name is subject to the satisfaction of (i) the passing of a special resolution by the Shareholders approving the Proposed Change of Company Name at the special general meeting of the Company (the “**SGM**”); and (ii) the Registrar of Companies in Bermuda granting approval of the Proposed Change of Company Name by way of issuing a Certificate of Change of Name and a Certificate of Secondary Name.

The special resolution of the Proposed Change of Company Name was approved by the Shareholders at the SGM held on 31 March 2026. The Company would carry out all necessary registration and/or filing procedures with the Registrar of Companies in Bermuda and the Companies Registry in Hong Kong. For details, please refer to the announcement of the Company dated 30 January 2026 and the circular of the Company dated 12 March 2026.

Biographical Details of Directors

The biographies of Directors as at 23 April 2026, being the latest practicable date prior to the printing of this annual report, are set out below:

EXECUTIVE DIRECTORS

Ms. Wang Jingyu, *Chairlady and Chief Executive Officer*

Aged 45, joined the Company as Executive Director and Chairlady of the Board in September 2025, and was subsequently appointed as the Chief Executive Officer of the Company in October 2025. She graduated from the Southwestern University of Finance and Economics in the PRC with a Bachelor's degree in Economics specialised in international finance. She has extensive experience in corporate management and investments. Ms. Wang was an executive director and the chairlady of Reliance Global Holdings Limited (stock code: 723), a company listed on the Main Board of the Stock Exchange, until 25 April 2025. Ms. Wang is deemed to be a substantial shareholder of the Company through her interest in Peak Access International Limited, a substantial shareholder of the Company, as disclosed in the paragraph headed "Interests and Short Positions of Shareholders Discloseable under the SFO" in the "Report of the Directors".

Mr. Yiu Chun Kong

Aged 41, joined the Group as finance manager in 2014 and was subsequently appointed as Executive Director in August 2025. He is also a director of various subsidiaries of the Company. He holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University and is a fellow of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). He has extensive experience in auditing, accounting and finance. Mr. Yiu is an executive director of ZO Future Group (stock code: 2309) and an independent non-executive director of Hong Kong ZCloud Technology Construction Limited (stock code: 9900). He was an executive director of EPI (Holdings) Limited (stock code: 689) from 18 October 2016 to 18 July 2024. All companies are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wu Yan Yee

Aged 35, joined the Company as Independent Non-executive Director in August 2025, and is the Chairlady of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. She holds a Bachelor of Business Administration in Accounting and Finance degree from The Hong Kong Polytechnic University. She is a certified public accountant of the HKICPA and holds the Chartered Financial Analyst designation. She had worked for an international accounting firm and a reputable asset management company and has experience in auditing, accounting, direct investment and asset management. She was appointed as an independent non-executive director of Get Nice Holdings Limited (stock code: 64) (“**Get Nice**”), a company listed on the Main Board of the Stock Exchange, on 1 September 2022 and has been re-designated as a non-executive director of Get Nice since 4 November 2022. She is currently a responsible officer (dealing in securities, advising on securities and asset management) of Get Nice Securities Limited, a subsidiary of Get Nice.

Ms. Wong Tin Ying Jade

Aged 44, joined the Company as Independent Non-executive Director in August 2025, and is the Chairlady of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. She holds a Bachelor of Commerce in Accountancy degree from Macquarie University and a Master of International Hospitality and Hotel Management degree from University of Western Sydney in Australia. She has extensive experience in corporate administration and accounting management.

Mr. Guo Jianwei

Aged 51, joined the Company as Independent Non-executive Director in April 2026, and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a Bachelor’s degree in Industrial and Civil Architecture from Guangdong University of Technology and has completed a programme in Business Administration from School of Continuing Education, Tsinghua University in the PRC. He holds several advanced professional qualifications including being the International Commercial Art Designer master landscape designer in the PRC. He has extensive experience in architectural technology, industrial park development, real-economy operations and cross-border enterprise management.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the review of the Group's businesses, the principal risks and uncertainties the Group facing, the particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future developments in the Group's businesses, the performance of the Group during the year with reference to key financial performance indicators, the key relationships with employees, customers and suppliers and the compliance with the relevant laws and regulations, can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 12 of this annual report and the "Corporate Governance Report" set out on pages 28 to 44 of this annual report. These discussions form part of this report. In addition, discussions on the Group's environmental policies and performances are contained in the "Environmental, Social and Governance Report" of the Company, which will be published together with this annual report.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

FINAL DIVIDEND

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, are set out on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

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

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company had no distributable reserve available for distribution to its Shareholders in accordance with the provisions of the Companies Act 1981 of Bermuda (2024: nil). The Company's share premium account, in the amount of approximately HK\$53,181,000 (2024: HK\$42,004,000), may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for approximately 93.3% of the total revenue for the year and revenue from the largest customer accounted for approximately 71.5%. Purchases from the Group's five largest suppliers accounted for approximately 37.5% of the total purchases for the year and purchases from the largest supplier accounted for approximately 12.0%.

None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to 23 April 2026, being the latest practicable date prior to the printing of this annual report were:

Executive Directors:

Ms. Wang Jingyu (*appointed on 3 September 2025*)

Mr. Yiu Chun Kong (*appointed on 22 August 2025*)

Mr. Weng Zudian (*resigned on 14 October 2025*)

Mr. Wong Danny F. (*appointed on 29 July 2025 and resigned on 30 September 2025*)

Mr. Jiang Qinghui (*resigned on 3 September 2025*)

Mr. Li Zhonghai (*resigned on 3 September 2025*)

Non-executive Director:

Mr. Lin Shaopeng (*resigned on 10 April 2026*)

Independent Non-executive Directors:

Ms. Wu Yan Yee (*appointed on 22 August 2025*)

Ms. Wong Tin Ying Jade (*appointed on 22 August 2025*)

Mr. Wu Jiwei (*appointed on 14 October 2025 and resigned on 2 April 2026*)

Mr. Guo Jianwei (*appointed on 2 April 2026*)

Ms. Wang Yumei (*resigned on 14 October 2025*)

Mr. Kwok Kim Hung Eddie (*resigned on 8 August 2025*)

Mr. Zhao Yong (*retired on 22 May 2025*)

Mr. Chan Cheuk Ho (*resigned on 28 February 2025*)

In accordance with Bye-law 85(2)(b) of the Company's Bye-laws, Ms. Wang Jingyu, Mr. Yiu Chun Kong, Ms. Wu Yan Yee, Ms. Wong Tin Ying Jade and Mr. Guo Jianwei will hold office until the forthcoming annual general meeting of the Company (the "2026 AGM"), and being eligible, will offer themselves for re-election in the 2026 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Report of the Directors

SUBSCRIPTION OF SHARES UNDER GENERAL MANDATE

On 22 January 2025, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Mr. Ma Wenya (the “**Subscriber**”) pursuant to which the Company had conditionally agreed to allot and issue, and the Subscriber had conditionally agreed to subscribe for 9,400,000 ordinary shares (with aggregate nominal value of HK\$94,000) of the Company (the “**Subscription Share(s)**”) at the subscription price of HK\$0.14 (the “**Subscription Price**”) per Subscription Share under the general mandate (the “**Subscription**”). The Subscription Price represented a discount of approximately 19.1% to the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement.

The purpose of the Subscription was to raise cash resources to fund working capital of the Group and to strengthen its financial position. The Subscription was completed on 28 January 2025. The gross proceeds from the Subscription were approximately HK\$1.3 million and the net proceeds (after deduction of expenses of the Subscription) were approximately HK\$1.2 million, whereas the net subscription price was approximately HK\$0.13 per Subscription Share.

For details of the Subscription, please refer to announcements of the Company dated 22 January 2025 and 28 January 2025. For the use of proceeds from the Subscription, please refer to “Fund Raising Activities and Use of Proceeds” disclosed in the “Management Discussion and Analysis” of this annual report.

PLACING OF SHARES UNDER THE GENERAL MANDATE

On 11 September 2025, the Company entered into a placing agreement (the “**Placing Agreement**”) with Imagi Brokerage Limited (the “**Placing Agent**”), pursuant to which the Placing Agent had agreed to place, on a fully underwritten basis, 30,951,496 new ordinary shares (with aggregate nominal value of HK\$309,514.96) of the Company (the “**Placing Share(s)**”) to not less than six placee(s) (the “**Placees**”), being independent individual, institutional or professional investor(s) procured by the Placing Agent, at a price of HK\$0.350 (the “**Placing Price**”) per Placing Share under the general mandate, for and on behalf of the Company (the “**Placing**”). The Placing Price represented a premium of approximately 1.45% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the date of the Placing Agreement.

The purpose of the Placing was to raise equity funds to resolve the going concern issue and to enhance the general working capital of the Group. The Placing was completed on 19 September 2025. The gross proceeds from the Placing were approximately HK\$10.8 million and the net proceeds (after deduction of fees and expenses of the Placing) were approximately HK\$10.4 million, whereas the net placing price was approximately HK\$0.336 per Placing Share.

For details of the Placing, please refer to announcements of the Company dated 11 September 2025 and 19 September 2025. For the use of proceeds from the Placing, please refer to “Fund Raising Activities and Use of Proceeds” disclosed in the “Management Discussion and Analysis” of this annual report.

RIGHTS ISSUE

On 15 October 2025, the Company proposed the rights issue (the “**Rights Issue**”) on the basis of seven (7) Rights Shares of the Company (the “**Rights Share(s)**”) for every one (1) existing share of the Company held on the record date at a subscription price of HK\$0.14 per Rights Share on a fully underwritten basis by issuing an aggregate of 1,299,962,832 ordinary shares (with aggregate nominal value of HK\$12,999,628.32) of the Company to its qualifying shareholders. The subscription price of HK\$0.14 per Rights Share represented a discount of approximately 23.5% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on 14 October 2025, being the last trading day of the Shares on the Stock Exchange before the release of the Rights Issue announcement.

The purpose of the Rights Issue was to raise additional funds to (i) repay borrowings such that the Group can imminent debt maturities and ensure the continued stability of its financial position in light of the upcoming repayment obligations; and (ii) fund general working capital and strengthen its financial position. The Rights Issue had been approved by the independent shareholders of the Company at the special general meeting of the Company held on 5 December 2025. It became unconditional on 9 January 2026 and was completed on 16 January 2026. The gross proceeds from the Rights Issue were approximately HK\$182.0 million and the net proceeds (after deducting the underwriting commission and all other related expenses) were approximately HK\$176.7 million, whereas the net subscription price was HK\$0.136 per Rights Share.

For details of the Rights Issue, please refer to announcements of the Company dated 15 October 2025, 5 December 2025 and 15 January 2026, the circular of the Company dated 14 November 2025 and the prospectus of the Company dated 22 December 2025. For the use of proceeds from the Rights Issue, please refer to “Fund Raising Activities and Use of Proceeds” disclosed in the “Management Discussion and Analysis” of this annual report.

CONNECTED TRANSACTIONS

The material related party transactions disclosed in note 36 to the consolidated financial statements fall under the scope of “Connected Transactions” or “Continuing Connected Transactions” under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders’ approval requirements. In respect of each of such transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable).

MANAGEMENT CONTRACTS

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

Report of the Directors

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the updated information of Directors is set out as follows:

1. The remuneration of Ms. Wang Jingyu has been adjusted to HK\$20,000 per month with effect from 1 January 2026. The remuneration of Ms. Wang Jingyu has been approved by the Remuneration Committee and the Board; and
2. The remuneration of Mr. Yiu Chun Kong has been adjusted to HK\$20,000 per month with effect from 1 November 2025 and have been further adjusted to HK\$10,000 with effect from 1 April 2026. The remuneration of Mr. Yiu Chun Kong has been approved by the Remuneration Committee and the Board.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the directors' and the chief executive's remuneration are set out in note 11 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statutes, the directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, or in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty of the said persons. Such provision was in force throughout the year ended 31 December 2025 and is currently in force. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and other officers of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save for the material related party transactions disclosed in note 36 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with a director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN 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, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Long Positions in the Shares:

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang Jingyu ("Ms. Wang")	Interest of controlled corporation	37,392,913 (Note 2)	20.14%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 185,708,976 Shares in issue as at 31 December 2025.
2. These interests were held by Peak Access International Limited ("**Peak Access**"), which was wholly-owned by Ms. Wang. Ms. Wang was also the sole director of Peak Access. Accordingly, Ms. Wang was deemed to be interested in 37,392,913 Shares under the SFO.

Save as disclosed above, as at 31 December 2025, none of the directors or chief executive of the Company registered an interest or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company as disclosed in the paragraph headed "Share Option Scheme" in the "Report of the Directors", at no time during the year and at the end of the year was the Company or any of its subsidiaries a party to any arrangements to enable any Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2025, the following interests of more than 5% of the issued Shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang	Interest of controlled corporation	37,392,913 (Note 2)	20.14%
Peak Access	Beneficial owner	37,392,913 (Note 2)	20.14%
Mr. Ji Xiang ("Mr. Ji")	Interest of controlled corporation	9,939,520 (Note 3)	5.35%
Excel Jade Limited ("Excel Jade")	Beneficial owner	9,939,520 (Note 3)	5.35%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 185,708,976 Shares in issue as at 31 December 2025.
2. These interests were held by Peak Access, which was wholly-owned by Ms. Wang. Ms. Wang was also the sole director of Peak Access. Accordingly, Ms. Wang was deemed to be interested in 37,392,913 Shares under the SFO.
3. These interests were held by Excel Jade, which was wholly-owned by Mr. Ji. Accordingly, Mr. Ji was deemed to be interested in 9,939,520 Shares under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the Shares and underlying Shares of the Company as at 31 December 2025 as required pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the “**Share Option Scheme**”) was adopted by the Company at the special general meeting of the Company held on 19 November 2024. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on 19 November 2024 (the “**Adoption Date**”). As at the date of this annual report, the remaining life of the Share Option Scheme is approximately eight (8) years.

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

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available and high calibre personnel of the Group, to provide additional incentives or rewards to the eligible participants for their contribution or potential contribution to the Group and to promote the overall success of the business of the Group. The Share Option Scheme will give the eligible participants an opportunity to have a personal stake in the Company which will help motivate the eligible participants in optimising their performance and efficiency and attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.

(b) Participants of the Share Option Scheme

Pursuant to the Share Option Scheme, eligible participants include (i) employee participants, which refer to the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted share options under the Share Option Scheme as inducement to enter into employment contracts with any member of the Group); (ii) related entity participants, which refer to director(s) and employee(s) (whether full-time or part-time) of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) service providers, which refer to person(s) who provide services to any member of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, that is, person(s) who are contractor, supplier, distributor, promoter, agent, consultant, adviser and/or business partner in relation to the Group’s businesses.

(c) Grant of share options

The offer of a grant of share options shall remain open for acceptance by the eligible participant concerned for a period of twenty-one (21) days inclusive of, and from the date of offer (the “**Offer Date**”) provided that no such offer shall be open for acceptance after the earlier of (i) the termination date which falls on 10 years after the Adoption Date; or (ii) the termination of the Share Option Scheme. An Offer shall be deemed to have been accepted when the Company receives the duplicate letter comprising acceptance of the Offer duly signed by the eligible participant together with a remittance of HK\$1.00 by way of consideration for the grant.

Report of the Directors

(d) Maximum entitlement of each participant

For any twelve-month period up to and including the date of grant of a share option, the aggregate number of Shares issued and to be issued in respect of all options and awards granted to each eligible participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) shall not in aggregate exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of options to a eligible participant in excess of the 1% limit shall be subject to the approval of the Company's shareholders in a general meeting with such eligible participant and his/her associates abstaining from voting.

(e) Subscription price of Shares on exercise of share option

The subscription price for shares on the exercise of share option shall be a price solely determined by the Board provided that it shall be not less than the highest of: (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive business days immediately preceding the Offer Date; and (c) the nominal value of the Share on the Offer Date.

(f) Time of exercise of share option

The exercise period of the share options is determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of ten (10) years from the date of the grant.

(g) Vesting period of the share option under the Share Option Scheme

The vesting period of the share option under the Share Option Scheme shall not be less than twelve (12) months. Notwithstanding the foregoing, a shorter vesting period may be granted to employee participants under specific circumstances under terms of the Share Option Scheme.

(h) Shares or share options available for grant

At the Adoption Date, the shareholders of the Company approved the scheme mandate limit and the service provider sublimit. The maximum number of Shares available for issue under the scheme mandate limit was 14,535,748 Shares, representing approximately 10% and 1.0% of the issued Shares of the Company as at the Adoption Date and the date of this annual report respectively; and the maximum number of Shares available for issue under the service provider sublimit was 4,360,724 Shares, representing approximately 3% and 0.3% of the issued Shares of the Company as at Adoption Date and the date of this annual report respectively.

As at 1 January 2025 and 31 December 2025, share options to subscribe for 14,535,748 Shares were available for grant under the scheme mandate limit and share options to subscribe for 4,360,724 Shares were available for grant under the service provider sublimit.

No share options have been granted under the Share Option Scheme since the Adoption Date and up to the date of this annual report.

Report of the Directors

As at 31 December 2025, there were no outstanding share options under the Share Option Scheme.

For details of the Share Option Scheme, please refer to the circular of the Company dated 29 October 2024.

EQUITY-LINKED AGREEMENT

Save for the share option scheme of the Company as disclosed in the paragraph headed “Share Option Scheme” in the “Report of the Directors”, no equity-linked agreements were entered into by the Group, or existed during the year.

COMPETING INTEREST

For the year ended 31 December 2025, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital is held by the public as at 23 April 2026, being the latest practicable date before printing of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations and any non-compliance may bring significant impact on the Group’s operations. The Group’s products are exported globally and the major markets include the USA, the European Union, Japan and the PRC. The Group complied with those importing requirements, including product safety and material selections, imposed by these importing countries. Compliance with the PRC regulations are also essential to the Group manufacturing operations in the PRC. The Group continuously monitors the evolving regulations and ensures its compliance.

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Report of the Directors

COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21, 3.25 AND 3.27A OF THE LISTING RULES

Following the retirement of Mr. Zhao Yong as an Independent Non-executive Director of the Company on 22 May 2025 and the resignation of Mr. Kwok Kim Hung Eddie as an Independent Non-executive Director of the Company on 8 August 2025, the Company failed to comply with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules, for details please refer to announcements of the Company dated 22 May 2025 and 8 August 2025. However, upon the appointment of Ms. Wu Yan Yee and Ms. Wong Tin Ying Jade as Independent Non-executive Directors of the Company on 22 August 2025, the number of Independent Non-executive Directors of the Company, with at least one Independent Non-executive Director having appropriate professional qualifications, or accounting or related financial management expertise, complies with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, and the compositions of the Audit Committee, Remuneration Committee and Nomination Committee comply with Rules 3.21, 3.25 and 3.27A of the Listing Rules respectively.

PRINCIPAL RISK AND UNCERTAINTIES

The principal activities of the Group are manufacturing and sale of toys and the plantation and sale of agricultural products. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainties:

- The toy industry is a competitive market with low entry barriers. Threats of increasing competition from electronic gaming products and changes in customer's preference may affect revenue, profit margin and market share.
- The Group had a concentration risk in its customers base during the year. If there is any deterioration in the businesses of its major customers, the revenue of the Group may decline correspondingly.
- The Group's toy products are predominantly exported to the United States. The increase in tariffs imposed by the United States on Chinese imports has had a profound impact on the Group's operations. Changes in global trade policies, worldwide conflicts and geopolitical tensions, over which the Group has no control, have significant influences on its business and financial performance.
- Increases in production cost and labour cost, shortages or delays of delivery of raw materials and substandard raw materials may have an adverse impact on the Group's results.
- Updates to toys safety standard regulations may require additional compliance costs. Any incident involving the sale of a substandard toy product could severely damage the Group's reputation, operations and profitability, and result in lawsuits or loss of customers.

An analysis of the Group's financial risk management (including currency risk, interest rate risk, credit risk and liquidity risk) objectives and policies are provided in note 34 to the consolidated financial statements.

Report of the Directors

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2025, there were no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group encourages environmental protection and is committed to fulfilling its environmental, social and corporate responsibilities. It complies with all environmental laws and regulations and prohibits all relevant illegal and violating activities. It also promotes environmental awareness among its employees through the implementation of green office practices, such as encouraging employees to make use of e-statements or scanning copies, adopt double-sided printing and copying, and set up recycling boxes to reduce and dispose of waste. Various measures are taken to optimise the use of energy and resources, prevent or minimise pollutions, and provide a safe and healthy working environment. The Group will continue to review the latest available technologies and industry best practices for adoption in addressing its environmental, social and corporate responsibilities.

Further information about the Group's environmental policies and performance are contained in the "Environmental, Social and Governance Report" of the Company, which will be published together with this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by Confucius International CPA Limited ("**CICPA**"). A resolution will be proposed at the 2026 AGM to re-appoint CICPA as the auditor of the Company.

CICPA had been appointed as auditor of the Company with effect from 16 December 2022 to fill the casual vacancy arising from the resignation of Moore Stephens CPA Limited on 16 December 2022.

On behalf of the Board

Wang Jingyu

Chairlady and Chief Executive Officer

Hong Kong, 27 March 2026

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company safeguard the interests of its Shareholders and enhance the performance of the Group.

CULTURE AND VALUES

The Board believes a healthy corporate culture is vital in attaining the Group's vision, values and strategy. It trusts that conducting business in an ethical and reliable way will maximise its long-term interests and those of its stakeholders. The structure of corporate governance adopted by the Company emphasises a quality board, sound internal controls and accountability to shareholders and these are based upon an ethical corporate culture. It is the Board's mission to establish and foster a healthy corporate culture with the following principles and to ensure that the Company's vision, values and business strategies are aligned to it.

(i) Ethics and Integrity

The Group strives to maintain a high standard of business ethics and corporate governance across all business levels and operating activities. Directors, management and staff members are all required to act lawfully, ethically and responsibly. Such required standards are set out in the Group's Code of Conduct, Anti-Fraud and Anti-Corruption Policy and Whistleblowing Policy (further discussions on the two policies are in the sections below). Trainings are conducted from time to time to reinforce the values across the Group and to uphold the standards with respect to ethics and integrity.

(ii) Commitment to Excellence

The Group believes commitment to excellence is the first step to continuous improvement and the driving force behind a business organisation. The Group implements a performance appraisal system and aims to reward and recognise performing staff members by providing them competitive remuneration packages, as well as the opportunities of career development and progression within the Group. Such values are articulated in policies, procedures and processes in day-to-day operations. Department heads are responsible to set expectations for staff members with respect to their roles and responsibilities. In addition, staff members are also encouraged to enrol in external training courses and seminars in order to update their technical skills and keep abreast of the market and regulatory developments.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Listing Rules for the year ended 31 December 2025 except for the following deviations with reasons as explained:

Shareholders meetings

Code Provision F.2.2 (renumbered as Code Provision F.1.3 with effect from 1 July 2025)

Under Code Provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting.

Corporate Governance Report

Deviation

Mr. Jiang Qinghui, the then Chairman of the Board, was unable to attend the annual general meeting of the Company held on 22 May 2025 (the “**2025 AGM**”) due to his other work commitments. However, Mr. Kwok Kim Hung Eddie, the then Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee, took the chair of the 2025 AGM in accordance with Bye-law 63(1) of the Bye-laws of the Company.

Chairman and Chief Executive

Code Provision C.2.1

Under Code Provision C.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

The Company had deviated from Code Provision C.2.1 of the CG Code since 14 October 2025 as the positions of chairlady and chief executive officer of the Company were held by the same individual. Following the appointment of Ms. Wang Jingyu (“**Ms. Wang**”), Executive Director and the Chairlady of the Board, as the Chief Executive Officer of the Company on 14 October 2025, the positions of chairman and chief executive officer of the Company were held by Ms. Wang. Ms. Wang is primarily involved in the formulation of business strategies and determination of the overall direction of the Group. She has also been chiefly responsible for the Group’s operations and supervised members of the senior management. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides strong and consistent leadership, and enhances the effectiveness and efficiency in planning and implementation of business decisions and strategies. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are Independent Non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board and the current arrangement would be beneficial and in the best interests of the Company and its Shareholders.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2025.

Pursuant to B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

Corporate Governance Report

BOARD OF DIRECTORS

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of its Shareholders.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the executive directors and the senior management of the Company. Prior to entering into any significant transactions, the executive directors and the senior management of the Company have to obtain approval from the Board.

As at 23 April 2026, being the latest practicable date prior to the printing of this annual report, the Board comprises five Directors, including two Executive Directors, namely Ms. Wang Jingyu (Chairlady and Chief Executive Officer) and Mr. Yiu Chun Kong; and three Independent Non-executive Directors, namely Ms. Wu Yan Yee, Ms. Wong Tin Ying Jade and Mr. Guo Jianwei. The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Group. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all existing Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors" on pages 13 to 14 of this annual report.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Pursuant to Rule 3.09D of the Listing Rules, each of the following directors had obtained the legal advice referred to in Rule 3.09D on the following dates:

Executive Directors	Date
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Mr. Wong Danny F.	28 July 2025
Ms. Wang Jingyu	3 September 2025
Mr. Yiu Chun Kong	21 August 2025

Independent Non-executive Directors	Date
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Ms. Wang Yumei	12 December 2024
Ms. Wu Yan Yee	21 August 2025
Ms. Wong Tin Ying Jade	21 August 2025
Mr. Wu Jiwei	13 October 2025
Mr. Guo Jianwei	1 April 2026

Corporate Governance Report

Each of the newly appointed directors has confirmed his/her understanding of his/her responsibilities as a director, the requirements under the Listing Rules that are applicable to them, and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Save for Ms. Wang Jingyu is a substantial shareholder of the Company and also an Executive Director, the Chairlady of the Board and the Chief Executive Officer of the Company, there is no financial, business, family or other material/relevant relationship between the substantial shareholders of the Company and other members of the Board.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. The Company will arrange continuing briefing and professional development for directors where necessary.

The directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. For the year ended 31 December 2025, all the Directors had complied with Code Provision C.1.4 of the CG Code and had provided the Company with their respective training records pursuant to the CG Code.

The Board has established the mechanism to ensure independent views and input of independent non-executive directors are made available to the Board. The summary of mechanism is set out below:

(a) Composition

The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors, with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. As at 31 December 2025, the Board had a balanced composition of two executive directors, one non-executive director and three independent non-executive directors so that there was a strong independent element on the Board, which allowed the effective exercise of independent judgement.

(b) Independence Assessment

The Board assesses the independence of independent non-executive directors annually with regards to, among others, (i) their character, integrity, expertise and experience; (ii) declaration of conflict of interest in their roles as independent non-executive directors; (iii) duration of appointment as independent non-executive directors; (iv) time commitments to the Company's affairs; (v) past and present financial or other interests in the business of the Company; and (vi) connection with other director(s), chief executive or substantial shareholder(s) of the Company.

Corporate Governance Report

(c) Board Decision Making

Directors (including independent non-executive directors) are entitled to seek further information independently from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense. A director (including independent non-executive director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Chairlady shall promote a culture of openness, encourage directors with different views to voice their concerns and allow sufficient time for discussion of matters.

The Board will review the above mechanism annually to ensure it is implemented effectively.

During the year ended 31 December 2025, four regular Board meetings and two general meetings were held by the Company and the attendance of each director is set out below:

	Number of Attendance	
	Board Meetings	General Meetings
Executive Directors		
Ms. Wang Jingyu (<i>appointed on 3 September 2025</i>)	1/1	1/1
Mr. Yiu Chun Kong (<i>appointed on 22 August 2025</i>)	2/2	1/1
Mr. Weng Zudian (<i>resigned on 14 October 2025</i>)	3/3	0/1
Mr. Wong Danny F. (<i>appointed on 29 July 2025 and resigned on 30 September 2025</i>)	1/1	0/0
Mr. Jiang Qinghui (<i>resigned on 3 September 2025</i>)	3/3	0/1
Mr. Li Zhonghai (<i>resigned on 3 September 2025</i>)	3/3	0/1
Non-executive Director		
Mr. Lin Shaopeng (<i>resigned on 10 April 2026</i>)	3/4	2/2
Independent Non-executive Directors		
Ms. Wu Yan Yee (<i>appointed 22 August 2025</i>)	2/2	1/1
Ms. Wong Tin Ying Jade (<i>appointed 22 August 2025</i>)	2/2	1/1
Mr. Wu Jiwei (<i>appointed 14 October 2025 and resigned on 2 April 2026</i>)	1/1	1/1
Mr. Guo Jianwei (<i>appointed on 2 April 2026</i>)	0/0	0/0
Ms. Wang Yumei (<i>resigned on 14 October 2025</i>)	3/3	1/1
Mr. Kwok Kim Hung Eddie (<i>resigned on 8 August 2025</i>)	2/2	1/1
Mr. Zhao Yong (<i>retired on 22 May 2025</i>)	1/1	1/1
Mr. Chan Cheuk Ho (<i>resigned on 28 February 2025</i>)	0/0	0/0

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, Ms. Wang is the Chairlady of the Board and the Chief Executive Officer of the Company.

Code Provision C.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company had deviated from the requirement since 14 October 2025 as the positions of chairlady and chief executive officer of the Company were held by Ms. Wang. Ms. Wang is primarily involved in the formulation of business strategies and determination of the overall direction of the Group. She has also been chiefly responsible for the Group's operations and supervised members of the senior management. The Board believes that vesting the roles of chairlady and chief executive officer in the same person provides strong and consistent leadership, and enhances the effectiveness and efficiency in planning and implementation of business decisions and strategies. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are Independent Non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board and the current arrangement would be beneficial and in the best interests of the Company and its Shareholders.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Non-executive Director is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term; and each of the Independent Non-executive Directors is appointed for a term of three years and their term of service shall continue unless and until terminated by either party by giving to the other one month's notice in writing. However, the directorship of Non-executive Director and Independent Non-executive Directors are also subject to the provision of retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at 23 April 2026, being the latest practicable date prior to the printing of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Ms. Wu Yan Yee, Ms. Wong Tin Ying Jade and Mr. Guo Jianwei. Ms. Wong Tin Ying Jade is the Chairlady of the Remuneration Committee.

On 28 February 2025, Mr. Chan Cheuk Ho resigned as Independent Non-executive Director and ceased to be the Chairman of the Remuneration Committee. Mr. Weng Zudian was redesignated as the Chairman of the Remuneration Committee while Ms. Wang Yumei was appointed as a member on the same date. On 22 May 2025, Mr. Zhao Yong retired as Independent Non-executive Director and accordingly ceased to be a member of the Remuneration Committee. On 22 August 2025, Mr. Weng Zudian ceased to be the Chairman of the Remuneration Committee, while Ms. Wong Tin Ying Jade and Ms. Wu Yan Yee were appointed as the Chairlady and a member of the Remuneration Committee respectively. On 14 October 2025, Ms. Wang Yumei resigned as Independent Non-executive Director and ceased to be a member of the Remuneration Committee. Mr. Wu Jiwei was appointed as a member of the Remuneration Committee on the same date. On 2 April 2026, Mr. Wu Jiwei resigned as Independent Non-executive Director and ceased to be a member of the Remuneration Committee. Mr. Guo Jianwei was appointed as a member of the Remuneration Committee on the same date.

Corporate Governance Report

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and senior management, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The overriding objective of such policy and structure is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group, and no director or any of his/her associates is involved in deciding his/her own remuneration. The full terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee should meet at least once a year. During the year ended 31 December 2025, the Remuneration Committee held two meetings, and has, among other things, approved the terms of service contracts, reviewed the remuneration packages for directors, assessed performance of executive directors and made recommendation to the Board. The attendance of each member is set out as follows:

Members	Number of attendance
Ms. Wong Tin Ying Jade (<i>appointed 22 August 2025</i>)	0/0
Ms. Wu Yan Yee (<i>appointed 22 August 2025</i>)	0/0
Mr. Wu Jiwei (<i>appointed 14 October 2025 and ceased on 2 April 2026</i>)	0/0
Mr. Guo Jianwei (<i>appointed on 2 April 2026</i>)	0/0
Ms. Wang Yumei (<i>ceased on 14 October 2025</i>)	2/2
Mr. Weng Zudian (<i>ceased on 22 August 2025</i>)	2/2
Mr. Zhao Yong (<i>ceased 22 May 2025</i>)	1/1
Mr. Chan Cheuk Ho (<i>ceased on 28 February 2025</i>)	0/0

Details of the remuneration for the year ended 31 December 2025 by band of the members of the Board, whose biographical details are included in the section headed "Biographical Details of Directors" on pages 13 to 14 of this annual report, are as follows:

Remuneration bands	Number of individuals
Nil to HK\$1,000,000	5
HK\$1,000,001 to HK\$1,500,000	0

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at 23 April 2026, being the latest practicable date prior to the printing of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Ms. Wong Tin Ying Jade, Ms. Wu Yan Yee and Mr. Guo Jianwei. Ms. Wong Tin Ying Jade is the Chairlady of the Nomination Committee. The Company has complied with Code Provision B.3.5 of the CG Code (came into effect from 1 July 2025), which provides that the Nomination Committee should include at least one member of different gender.

Corporate Governance Report

On 28 February 2025, Mr. Chan Cheuk Ho resigned as Independent Non-executive Director and ceased to be a member of the Nomination Committee. Ms. Wang Yumei was appointed as a member of the Nomination Committee on the same date. On 8 August 2025, Mr. Kwok Kim Hung Eddie resigned as Independent Non-executive Director and ceased to be a member of the Nomination Committee. On 22 August 2025, Ms. Wong Tin Ying Jade was appointed a member of the Nomination Committee. On 3 September 2025, Mr. Jiang Qinghui resigned as Executive Director and ceased to be the Chairman of the Nomination Committee. Ms. Wong Tin Ying Jade and Mr. Lin Shaopeng were appointed as the Chairlady and a member of the Nomination Committee respectively on the same date. On 14 October 2025, Ms. Wang Yumei resigned as Independent Non-executive Director and ceased to be a member of the Nomination Committee. Mr. Wu Jiwei was appointed as a member of the Nomination Committee on the same date. On 2 April 2026, Mr. Wu Jiwei resigned as Independent Non-executive Director and ceased to be a member of the Nomination Committee. Mr. Guo Jianwei was appointed as a member of the Nomination Committee on the same date. On 10 April 2026, Mr. Lin Shaopeng resigned as Non-executive Director and ceased to be a member of the Nomination Committee. Ms. Wu Yan Yee was appointed as a member of the Nomination Committee on the same date.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive directors, identifying potential directors and making recommendations to the Board on the appointment or re-election of directors. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference of the Nomination Committee are available on Company's website and the Stock Exchange's website.

During the year ended 31 December 2025, the Nomination Committee held two meetings, and has, among other things, reviewed the board diversity policy (the "**Board Diversity Policy**") and the nomination policy (the "**Nomination Policy**") of the Company, the independence of independent non-executive directors, and the structure, size and composition of the Board; and made recommendation to the Board on appointment and re-election of directors. The attendance of each member is set out below:

Members	Number of attendance
Ms. Wong Tin Ying Jade (<i>appointed as a member on 22 August 2025 and Chairlady on 3 September 2025</i>)	0/0
Mr. Wu Jiwei (<i>appointed on 14 October 2025 and ceased on 2 April 2026</i>)	0/0
Mr. Lin Shaopeng (<i>appointed on 3 September 2025 and ceased on 10 April 2026</i>)	0/0
Ms. Wu Yan Yee (<i>appointed on 10 April 2026</i>)	0/0
Mr. Guo Jianwei (<i>appointed on 2 April 2026</i>)	0/0
Ms. Wang Yumei (<i>appointed on 28 February 2025 and ceased on 14 October 2025</i>)	2/2
Mr. Jiang Qinghui (<i>ceased on 3 September 2025</i>)	2/2
Mr. Kwok Kim Hung Eddie (<i>ceased on 8 August 2025</i>)	1/1
Mr. Chan Cheuk Ho (<i>ceased on 28 February 2025</i>)	0/0

Corporate Governance Report

Board Diversity Policy

The Board recognised the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy. The Board Diversity Policy sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, 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 reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy during the year ended 31 December 2025 and considered it remained effective and appropriate.

During the year ended 31 December 2025, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Board Diversity Policy has been consistently implemented. As at 23 April 2026, being the latest practicable date prior to the printing of this annual report, the Board consists of three female Directors and two male Directors. The Board considered gender diversity in respect of the Board is satisfactory.

As at 31 December 2025, the male to female ratio in the workforce (excluding senior management) was approximately 2:3. The Board believes this ratio was appropriate for the time being. The Group is mindful of the importance of diversity, including but not limited to gender diversity, opportunities for employment, training and career development are equally opened to all eligible employees/candidates without discrimination so as to develop a pipeline of potential successors to the Board and the workforce. Going forward, the Group will strive to maintain the ratio of female across all work levels through nomination, recruitment and promotion process. Further details on workforce composition are set out in the "Environmental, Social and Governance Report" of the Company for the year ended 31 December 2025, which will be published together with this annual report.

Nomination Policy

The Board has adopted the Nomination Policy which setting out the principles that guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the Shareholders at general meeting for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account, among others, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria set out in the Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment; and (ii) for standing for election at a general meeting as a director of the Company.

Corporate Governance Report

The Nomination Committee will review the Board Diversity Policy annually and the Nomination Policy from time to time to ensure that the policies will be implemented effectively.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at 23 April 2026, being the latest practicable date prior to the printing of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Ms. Wu Yan Yee, Ms. Wong Tin Ying Jade and Mr. Guo Jianwei. Ms. Wu Yan Yee is the Chairlady of the Audit Committee.

On 28 February 2025, Mr. Chan Cheuk Ho resigned as Independent Non-executive Director and ceased to be Chairman of the Audit Committee. Mr. Kwok Kim Hung Eddie was redesignated as the Chairman of the Audit Committee while Ms. Wang Yumei was appointed as a member on the same date. On 22 May 2025, Mr. Zhao Yong retired as Independent Non-executive Director and accordingly ceased to be a member of the Audit Committee. On 8 August 2025, Mr. Kwok Kim Hung Eddie resigned as Independent Non-executive Director and ceased to be the Chairman of the Audit Committee. On 22 August 2025, Ms. Wu Yan Yee and Ms. Wong Tin Ying Jade were appointed as Chairlady and a member of the Audit Committee respectively. On 14 October 2025, Ms. Wang Yumei resigned as Independent Non-executive Director and ceased to be a member of the Audit Committee. Mr. Wu Jiwei was appointed as a member of the Audit Committee on the same date. On 2 April 2026, Mr. Wu Jiwei resigned as Independent Non-executive Director and ceased to be a member of the Audit Committee. Mr. Guo Jianwei was appointed as a member of the Audit Committee on the same date.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Group's financial reporting system, internal control system and risk management system. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference of the Audit Committee are available on Company's website and the Stock Exchange's website.

During the year ended 31 December 2025, the Audit Committee held two meetings and the attendance of each member is set out below:

Members	Number of attendance
Ms. Wu Yan Yee (<i>appointed on 22 August 2025</i>)	1/1
Ms. Wong Tin Ying Jade (<i>appointed on 22 August 2025</i>)	1/1
Mr. Wu Jiwei (<i>appointed on 14 October 2025 and ceased on 2 April 2026</i>)	0/0
Mr. Guo Jianwei (<i>appointed on 2 April 2026</i>)	0/0
Ms. Wang Yumei (<i>ceased on 14 October 2025</i>)	2/2
Mr. Kwok Kim Hung Eddie (<i>ceased on 8 August 2025</i>)	1/1
Mr. Zhao Yong (<i>ceased on 22 May 2025</i>)	1/1
Mr. Chan Cheuk Ho (<i>ceased on 28 February 2025</i>)	0/0

Corporate Governance Report

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2025:

1. reviewed and approved the remuneration and terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor;
2. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2024 and recommended the same to the Board for approval;
3. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2025 and recommended the same to the Board for approval;
4. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may have a significant impact on the consolidated financial statements of the Company and the scope of the audit;
5. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2024;
6. reviewed the effectiveness of the risk management and internal control systems of the Group; and
7. reviewed and adopted the Non-audit Service Policy, Anti-Fraud and Anti-Corruption Policy (referred to below) and Whistleblowing Policy (referred to below).

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2025 is set out in the "Independent Auditor's Report" on pages 45 to 50 of this annual report.

For the year ended 31 December 2025, the remuneration paid or payable to the Company's auditor, Confucius International CPA Limited ("**CICPA**"), for the provision of audit services amounted to HK\$780,000. During the year, a sum of HK\$150,000 was paid as remuneration to CICPA for the provision of non-audit services, which included their review services in relation to the Rights Issue (as defined on page 19 of this annual report) as reporting accountants.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

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

Corporate Governance Report

In respect of note 3.1 to the consolidated financial statements, it is stated that the Group incurred a loss attributable to owners of the Company of HK\$92.8 million for the year ended 31 December 2025 and as at 31 December 2025, the Group had net current liabilities and net liabilities of HK\$296.7 million and HK\$219.9 million. The Group's bank balances and cash amounted to HK\$47.9 million in contrast to its borrowings of HK\$255.2 million which are repayable within the next twelve months. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business. The Directors are of the opinion that the above situation will not have a material impact on the Group's ability to continue as a going concern and that the Group will have sufficient funds to support the Group's operations and financial obligations and to meet its financial obligations as and when they fall due for the next twelve months after taking into consideration of several measures implemented by the Group. Details of the measures are set out in note 3.1 to the consolidated financial statements in this annual report. The Directors consider it appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2025 on a going concern basis. Save as disclosed above, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the corporate governance duties to the Audit Committee. The main corporate governance duties of the Audit Committee are (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuing professional development of directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with all relevant legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and (v) to review the Group's compliance with the CG Code and disclosure requirements in the "Corporate Governance Report".

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining sound and effective risk management and internal controls and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets at least annually. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The review covers all material controls, including financial, operational and compliance controls of the key operations of the Group.

Corporate Governance Report

Effective risk management is essential in the long-term growth and sustainability of the Group's businesses. The Board monitors the risk management and internal control systems on an ongoing basis, and determines the nature and extent of the risk (including environmental, social and governance ("ESG") risk) it is willing to take in achieving the strategic objectives. During the year, the Company has taken risk management as a core part of its business activities and operations. The Company is taking steps to build a comprehensive risk management system that is aligned with the strategies and operations of the Company by standardising its risk management procedures, adopting qualitative and quantitative measures to identify, evaluate and mitigate the identified risks (including ESG risks).

The process used to identify, evaluate and manage the significant risks (including ESG risks) of the Group is embedded in the Group's normal business operations. Organisational structure is well established with clearly defined authorities and responsibilities, and the Group has developed various risk management and internal control policies and procedures for each business unit to follow. Business units are responsible for identifying, assessing and monitoring risks (including ESG risks) associated with their respective units regularly. The results of the assessment are reported to the management which subsequently assesses the likelihood of risk occurrence, provides remedial plan and monitors the progress of rectification with the assistance of the head of the business units. The results of the assessment and effectiveness of the Group's risk management and internal control systems have been reported to the Audit Committee.

Owing to the size of the Group and consideration for cost effectiveness, the Group does not have an internal audit function. Instead, the Company has engaged Crowe (HK) Risk Advisory Limited ("**Crowe**"), an independent professional firm during the year to maintain an effective internal audit function to facilitate the Board in assessing the Group's risk management and internal controls, and to conduct annual review the effectiveness of the risk management and internal control systems to identify and evaluate significant risks (including ESG risks) of the Group's business operations. The Board believes that the involvement of an independent professional firm could enhance the objectivity and transparency of the evaluation process.

For the year ended 31 December 2025, Crowe had conducted an annual review to identify risks (including ESG risks) that could potentially impact the businesses of the Group, review key operational and financial processes as well as regulatory compliance and information security, and assess the adequacy and effectiveness of the Group's risk management and internal control systems. Crowe has reviewed the relevant policies and procedures of the Group, conducted collaborative interviews and document inspection, and performed walkthrough tests and samples testing procedures. After the review, a Risk Assessment Report (the "**RA Report**") and an Internal Control Report (the "**IC Report**") with findings and recommendations for improvement in relation to the systems had been provided to the Audit Committee and the management. The Board and the Audit Committee have reviewed and discussed the findings and recommendations with the management. In order to manage risks (including ESG risks) effectively and control risks within acceptable levels, the management will continue to monitor the identified risks (including ESG risks) and the respective control measures, and arrange adequate resources for the effective control measures undertaken. The RA Report and IC Report have been endorsed by the Audit Committee and the management is required to establish remedial plans and take actions to rectify those internal control deficiencies identified (if any) according to their respective risk level and priorities. Subsequent review, where applicable, will be performed by Crowe to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

Corporate Governance Report

After reviewing the RA Report and IC Report, the Board is not aware of any significant risk management and internal control weaknesses or inconsistencies with the Group's risk management and internal control policies, and considers the existing risk management and internal control systems are appropriate and effective. The Board has also considered the adequacy of resources for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function as well as those relating to the Group's ESG performance and reporting. The Board is of the opinion that the Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control. Furthermore, the Board is of the opinion that the Group has adequate financial and human resources for its accounting and financial reporting function.

Handling and Dissemination of Inside Information

The Group has established procedures and provided guidelines to the directors, officers, management and relevant staff in respect of handling and disseminating sensitive and confidential inside information with due care. Only personnel at appropriate level can get reach of the sensitive and confidential inside information.

The Group is also committed to ensure that discloseable information contained in announcements or circulars are accurate and complete in all material respects and not misleading or deceptive, and no other matters the omission of which would make the announcements or circulars misleading to prevent a false market in the Shares.

During the year, the Group has complied with the requirements of the SFO and the Listing Rules and disseminated discloseable information (including inside information) to the public in equal and timely manner in accordance with applicable laws and regulations.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with Code Provision D.2.7 of the CG Code (renumbered as Code Provision D.2.4 with effect from 1 July 2025), the Board has adopted an anti-fraud and counter-corruption policy (the "**Anti-Fraud and Anti-Corruption Policy**") which forms an important part of the Group's effective risk management and internal control systems. The Group is committed to achieving high standards of business ethics and corporate governance across all business levels and operating activities and has zero tolerance towards fraud and corruption. It strives to protect its reputation, assets and information from any attempt of fraud, corruption, deceit or improper conduct by employees or third parties. In line with this, the Anti-Fraud and Anti-Corruption Policy has outlined the Company's expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected fraud, corruption and other similar irregularities. The Anti-Fraud and Anti-Corruption Policy applies to all Group employees and all business partners, including customers, suppliers and debtors. The Audit Committee has the overall responsibility for the implementation, monitoring and periodic review of the Anti-Fraud and Anti-Corruption Policy.

Corporate Governance Report

WHISTLEBLOWING POLICY

In compliance with Code Provision D.2.6 of the CG Code (renumbered as Code Provision D.2.3 with effect from 1 July 2025), the Board adopted a whistleblowing policy (the “**Whistleblowing Policy**”) which provides employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person. It forms part of the Group’s effective risk management and internal control systems. In line with the Group’s commitment to promote ethical standards and to uncover any fraud, malpractice and misconduct within the organisation, the purpose of the Whistleblowing Policy is to (i) encourage and assist any employee(s) of the Group or third parties (e.g. customers, suppliers etc.) to raise the concern and disclose related information confidentially; (ii) provide reporting channels and guidance on whistleblowing to employees or third parties to raise the concern rather than neglecting it; and (iii) reveal suspected fraud, malpractice or misconduct before these activities cause disruption or loss to the Group. The Audit Committee has the overall responsibility for implementing, monitoring and reviewing the effectiveness of the Whistleblowing Policy and the actions resulting from the investigation.

An email account (acchairman@winshine.com) has been set up for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

COMPANY SECRETARY

Ms. Chan Yuk Yee has been appointed as the Company Secretary of the Company since 17 October 2025. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is a Chartered Secretary, Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has extensive experience in corporate governance and company secretarial practice. Before joining the Company, Ms. Chan served as company secretary at several listed companies in Hong Kong. During the year ended 31 December 2025, Ms. Chan has taken no less than 15 hours of the relevant professional training.

SHAREHOLDERS’ RIGHTS

Procedures for shareholders to convene a special general meeting

According to Bye-law 58 of the Company’s Bye-laws and the Companies Act 1981 of Bermuda (the “**Companies Act**”), shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the said date.

Corporate Governance Report

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

- (a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;
- (b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Procedures for shareholders to propose a person for election as a director of the Company

According to Bye-law 87 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting of the Company unless a notice in writing of the intention to propose such person for election as a director, signed by a shareholder of the Company (other than the person to be proposed for election as a director) duly qualified to attend and vote at the general meeting of the Company for which such notice is given, and a notice in writing signed by such person of his/her willingness to be elected shall have been lodged at the Company's head office in Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Room 1501, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meetings, the annual and interim reports, notices, announcements and circulars and the Company's website at www.winshine.com and www.tricor.com.hk/webservice/000209. Information on the Company's website will be updated from time to time.

Corporate Governance Report

SHAREHOLDERS COMMUNICATION POLICY

The Group has adopted a shareholders communication policy (the “**Shareholders Communication Policy**”) which sets out the objective of ensuring that the Company’s shareholders, both individual and institutional and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investment community to engage actively with the Company. The Group has established a range of communication channels between itself and the shareholders, investors and other stakeholders. These include (i) contacting the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, regarding questions on shareholdings; (ii) publishing corporate communications such as announcements, circulars, annual reports and interim reports; (iii) maintaining a corporate websites; and (iv) holding shareholders’ meetings. The Board has the overall responsibility to maintain an ongoing dialogue with the shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

For the year ended 31 December 2025, the Board had reviewed the implementation and effectiveness of the Shareholders Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders Communication Policy has been properly implemented during the year and is effective.

DIVIDEND POLICY

The Board has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, which allows Shareholders to share the Company’s profits and for the Company to retain adequate reserves for future growth. According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans of the Group; (iv) the liquidity position of the Group; and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the laws of Bermuda and the Company’s Bye-laws.

CONSTITUTIONAL DOCUMENTS

A copy of the Bye-laws of the Company has been published on the websites of the Company and Hong Kong Exchanges and Clearing Limited. There have been no changes in the Company’s constitutional documents during the year ended 31 December 2025.

Independent Auditor's Report



天健國際會計師事務所有限公司
Confucius International CPA Limited

Certified Public Accountants

香港灣仔莊士敦道181號大有大廈1501-08室
Rooms 1501-08, 15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
電話 Tel: (852) 3103 6980
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TO THE SHAREHOLDERS OF WINSHINE SCIENCE COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Winshine Science Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 51 to 145, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information 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 issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 to the consolidated financial statements, which stated that the Group incurred a loss attributable to owners of the Company of HK\$92,830,000 for the year ended 31 December 2025. As at the same date, the Group had net current liabilities and net liabilities of HK\$296,654,000 and HK\$219,931,000 respectively, and the Group's bank balances and cash amounted to HK\$47,850,000, in contrast to its borrowings of HK\$255,192,000, which are repayable within the next twelve months. These conditions, along with other

Independent Auditor's Report

matters as set forth in note 3.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in "Material Uncertainty Related to Going Concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Write-down of inventories to net realisable value

Our key procedures in relation to evaluating the allowance for inventories included:

We identified the allowance for inventories as a key audit matter because the amounts of inventories were significant and the assessment of provision for stock obsolescence required significant management judgement and involved high level of estimation uncertainty.

- obtaining an understanding of and evaluating the Group's provision policy on inventories;
- reviewing and assessing the management's process of the identification of obsolete or slow-moving inventories and estimation of the net realisable value of these inventories;
- testing the accuracy of the inventory ageing analysis, on a sample basis, and analysing the level of the aged inventory and their associated provisions;
- obtaining the inventory ageing report to identify long aged inventories and assessing whether allowance for inventories was properly provided for; and
- reviewing and evaluating the net realisable value of inventories, on a sample basis, with reference to subsequent usage and sales information and performing testing on a sample basis, by tracing to the supporting documents.

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory ageing report at the end of the reporting period to identify inventories that are no longer saleable in the market and estimated the net realisable value for those items based primarily on the latest invoice prices and current market conditions.

As at 31 December 2025, the carrying amount of inventories was HK\$72,290,000 and write-down of inventories of HK\$19,863,000 was charged to profit or loss for the year then ended.

Independent Auditor's Report

Key audit matter

Valuation of leasehold buildings

We identified the valuation of leasehold buildings as a key audit matter due to the significant estimation uncertainty and the key assumptions and judgements involved in the valuation.

As disclosed in note 15 to the consolidated financial statements, the Group's leasehold buildings amounted to HK\$87,000,000 as at 31 December 2025. Loss on revaluation of HK\$3,388,000 was recognised in the other comprehensive income for the year then ended.

The fair value of the Group's leasehold buildings was determined by adopting valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements on appropriate valuation techniques and inputs adopted. The Group also worked closely with the independent qualified valuer to establish and determine the appropriate valuation techniques.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of leasehold buildings included:

- reviewing the valuation report from an independent qualified valuer and holding discussions with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;
- evaluating management's process in respect of reviewing the valuation performed by the independent qualified valuer;
- evaluating the competence, capability and objectivity of the independent qualified valuer;
- obtaining the underlying data including comparable market transactions being used by the independent qualified valuer and assessing whether they are appropriate and supportable; and
- performing market research and analysis to assess whether the changes in fair value of leasehold buildings resulted from the valuation was reasonable and consistent with market trends to our knowledge.

OTHER INFORMATION

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

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

Independent Auditor's Report

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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- conclude on the appropriateness of the director's 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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.

Confucius International CPA Limited

Certified Public Accountants

Ho Pak Tat

Practising Certificate Number: P05215

Hong Kong

27 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	5	382,395	515,908
Cost of sales		(412,668)	(503,105)
Gross (loss) profit		(30,273)	12,803
Other income, gains and losses, net	6	3,646	7,307
Reversal (provision) of expected credit loss for trade receivables	7	1,216	(574)
Provision of expected credit loss for other receivables	7	(300)	(4,558)
Impairment loss on property, plant and equipment		(6,887)	(9,682)
Impairment loss on right-of-use assets		(1,480)	(2,088)
Impairment loss on goodwill		–	(740)
Loss on disposal of subsidiaries	32	–	(1,563)
Selling and distribution costs		(4,967)	(4,793)
Administrative expenses		(38,295)	(44,503)
Other operating expenses		(2,003)	(2,862)
Finance costs	8	(14,998)	(18,184)
Loss before tax		(94,341)	(69,437)
Income tax credit (expense)	9	671	(4,325)
Loss for the year	10	(93,670)	(73,762)
Other comprehensive (expense) income for the year, net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
(Loss) gain on revaluation of properties		(3,388)	4,364
Deferred tax credit arising from revaluation of properties	27	2,844	–
		(544)	4,364
<i>Items that may be/have been reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		3,190	(1,630)
Release of exchange reserve upon disposal of subsidiaries		–	533
		3,190	(1,097)
Other comprehensive income for the year, net of tax		2,646	3,267
Total comprehensive expense for the year		(91,024)	(70,495)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Loss for the year attributable to:			
Owners of the Company		(92,830)	(73,026)
Non-controlling interest		(840)	(736)
		<u>(93,670)</u>	<u>(73,762)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(90,215)	(69,860)
Non-controlling interest		(809)	(635)
		<u>(91,024)</u>	<u>(70,495)</u>
Loss per share			(Restated)
– Basic and diluted (HK cents)	14	<u>(42.1)</u>	<u>(41.6)</u>

Consolidated Statement of Financial Position

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	15	87,037	93,929
Right-of-use assets	16	2,869	3,348
Rental deposit	19	368	146
		90,274	97,423
Current assets			
Inventories	17	72,290	79,009
Trade receivables	18	81,456	103,334
Prepayments, deposits and other receivables	19	9,121	17,856
Pledged bank deposits	20	30,108	–
Bank balances and cash	20	47,850	55,258
		240,825	255,457
Current liabilities			
Trade and bills payables	21	234,971	204,624
Other payables and accruals	22	39,573	46,326
Contract liabilities	23	1,406	722
Borrowings	24	255,192	217,089
Lease liabilities	26	1,396	1,090
Tax payables		2,941	5,863
Amount due to ultimate holding company	25	2,000	–
		537,479	475,714
Net current liabilities		(296,654)	(220,257)
Total assets less current liabilities		(206,380)	(122,834)
Non-current liabilities			
Lease liabilities	26	586	1,384
Deferred tax liabilities	27	12,965	16,269
		13,551	17,653
Net liabilities		(219,931)	(140,487)

Consolidated Statement of Financial Position

At 31 December 2025

	<i>Note</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Capital and reserves			
Share capital	28	1,857	1,454
Deficit		<u>(219,530)</u>	<u>(140,492)</u>
Capital deficiencies attributable to owners of the Company		(217,673)	(139,038)
Non-controlling interest		<u>(2,258)</u>	<u>(1,449)</u>
Capital deficiencies		<u>(219,931)</u>	<u>(140,487)</u>

The consolidated financial statements on pages 51 to 145 were approved and authorised for issue by the Board of Directors of the Company on 27 March 2026 and are signed on its behalf by:

Wang Jingyu
Director

Yiu Chun Kong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interest HK\$'000	Capital deficiencies HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve fund HK\$'000 (Note)	Convertible bond equity reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2024	5,098	32,377	56,084	14,410	7	26,907	(214,938)	(80,055)	(814)	(80,869)
Loss for the year	-	-	-	-	-	-	(73,026)	(73,026)	(736)	(73,762)
Other comprehensive income (expense) for the year	-	-	4,364	-	-	(1,198)	-	3,166	101	3,267
Total comprehensive income (expense) for the year	-	-	4,364	-	-	(1,198)	(73,026)	(69,860)	(635)	(70,495)
Revaluation reserve realised	-	-	(2,852)	-	-	-	2,852	-	-	-
Capital reduction (note 28(c))	(4,894)	-	-	-	-	-	4,894	-	-	-
Issue of new shares pursuant to subscription agreements (notes 28(a) and 28(d))	1,250	9,627	-	-	-	-	-	10,877	-	10,877
Lapse of convertible bonds	-	-	-	-	(7)	-	7	-	-	-
Appropriation to statutory reserve fund	-	-	-	539	-	-	(539)	-	-	-
At 31 December 2024	1,454	42,004	57,596	14,949	-	25,709	(280,750)	(139,038)	(1,449)	(140,487)
Loss for the year	-	-	-	-	-	-	(92,830)	(92,830)	(840)	(93,670)
Other comprehensive (expense) income for the year	-	-	(544)	-	-	3,159	-	2,615	31	2,646
Total comprehensive (expense) income for the year	-	-	(544)	-	-	3,159	(92,830)	(90,215)	(809)	(91,024)
Revaluation reserve realised	-	-	(2,792)	-	-	-	2,792	-	-	-
Issue of new shares pursuant to subscription agreement (note 28(e))	94	1,132	-	-	-	-	-	1,226	-	1,226
Issue of new shares pursuant to placing agreement (note 28(f))	309	10,045	-	-	-	-	-	10,354	-	10,354
At 31 December 2025	1,857	53,181	54,260	14,949	-	28,868	(370,788)	(217,673)	(2,258)	(219,931)

Note:

The Group's subsidiaries in the People's Republic of China (the "PRC") are required to allocate at least 10% of net profit according to their PRC audited financial statements to a statutory reserve fund until the balance of such reserve has reached 50% of the subsidiaries' registered capital. Any further appropriation is optional. The statutory reserve fund shall only be used for making up losses or for capitalisation into share capital, provided that the remaining balance is not less than 20% of the registered capital of the entity after such capitalisation. No appropriation was made for 2025 (2024: HK\$539,000) as the PRC subsidiaries recorded net losses during the year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Operating activities			
Loss before tax		(94,341)	(69,437)
Adjustments for:			
Finance costs		14,998	18,184
Interest income	6	(140)	(25)
Depreciation of property, plant and equipment	15	4,850	11,737
Depreciation of right-of-use assets	16	595	1,453
Loss on disposal of subsidiaries	32	–	1,563
(Gain) loss on deregistration of subsidiaries	6	(694)	242
Loss (gain) on disposal of property, plant and equipment, net	6	278	(218)
Impairment loss on property, plant and equipment		6,887	9,682
Impairment loss on right-of-use assets		1,480	2,088
Impairment loss on goodwill		–	740
Provision of expected credit loss for other receivables	7	300	4,558
(Reversal) provision of expected credit loss for trade receivables	7	(1,216)	574
Write-down of inventories, net		19,863	4,683
Waiver of borrowings	6	(1,400)	–
Waiver of directors' remuneration	6	(1,316)	–
Effect of unrealised foreign exchange rate changes		8,730	9,575
Operating cash flows before movements in working capital		(41,126)	(4,601)
Increase in inventories		(11,265)	(10,250)
Decrease in prepayments, deposits and other receivables		8,454	2,286
Decrease (increase) in trade receivables		23,122	(33,438)
Decrease in biological assets		–	805
Decrease in other payables and accruals		(9,671)	(17,849)
Increase in trade and bills payables		25,464	37,765
Increase (decrease) in contract liabilities		684	(423)
Cash used in operations		(4,338)	(25,705)
Income tax paid		(2,936)	(1,912)
Net cash used in operating activities		(7,274)	(27,617)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(3,365)	(9,507)
Proceeds from disposal of property, plant and equipment		375	4,719
Interest received		140	25
Placement of pledged bank deposits		(30,108)	–
Net cash outflow from disposal of subsidiaries	32	–	(1,150)
Net cash used in investing activities		(32,958)	(5,913)
Cash flows from financing activities			
Proceeds from borrowings		359,947	353,802
Repayment of borrowings		(322,491)	(372,549)
Interest paid		(10,974)	(12,979)
Repayment of lease liabilities		(1,281)	(1,345)
Net proceeds from issue of shares pursuant to subscription agreements		1,226	10,877
Net proceeds from issue of shares pursuant to placing agreement		10,354	–
Increase in amount due to ultimate holding company, net		2,000	–
Repayment of convertible bonds		–	(2,500)
Net cash generated from (used in) financing activities		38,781	(24,694)
Net decrease in cash and cash equivalents		(1,451)	(58,224)
Cash and cash equivalents at the beginning of the year		55,258	119,335
Effect of foreign exchange rate changes		(5,957)	(5,853)
Cash and cash equivalents at the end of the year		47,850	55,258
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		47,850	55,258

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the “Corporate Information” section in this annual report. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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

In the current year, the Group has applied for the first time the following amendments to an HKFRS Accounting Standard as issued by the HKICPA, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

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

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
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 “Presentation and Disclosure in Financial Statements” (“**HKFRS 18**”), which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements” (“**HKAS 1**”). 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; provides disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and HKFRS 7 “Financial Instruments: Disclosure”. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and consequential 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 new standard is not expected to have significant impact on the financial performance and position of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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

3.1 Basis of preparation of the consolidated financial statements

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

The Group’s ability to continue as a going concern

The Group incurred a loss attributable to owners of the Company of HK\$92,830,000 for the year ended 31 December 2025. As at the same date, the Group had net current liabilities and net liabilities of HK\$296,654,000 and HK\$219,931,000 respectively. The Group’s bank balances and cash amounted to HK\$47,850,000 in contrast to its borrowings of HK\$255,192,000, which are repayable within the next twelve months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.1 Basis of preparation of the consolidated financial statements (Continued)

The Group's ability to continue as a going concern (Continued)

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2025 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group's liquidity and financial position and to sustain the Group as a going concern, the directors of the Company have been implementing various plans and measures as follows:

- i. the Company had completed the rights issue (the "**Rights Issue**") in January 2026 to raise net proceeds of approximately HK\$176.7 million by way of issue of 1,299,962,832 rights shares (the "**Rights Share(s)**") at a subscription price of HK\$0.14 per Rights Share;
- ii. the Group had settled the outstanding principal and interests of the borrowings of aggregate amount of HK\$117.5 million after the completion of Rights Issue;
- iii. Ms. Wang Jingyu ("**Ms. Wang**"), the ultimate beneficial owner of the Group, the Chairlady, the Chief Executive Officer and Executive Director of the Company, has confirmed that she will provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due in the foreseeable future;
- iv. the Group has banking facilities of Renminbi ("**RMB**") 260,000,000 (equivalent to HK\$287,865,000), including exposure limit and non-exposure limit of RMB160,000,000 and RMB100,000,000 respectively, of which only exposure limit of RMB148,602,000 (equivalent to HK\$164,528,000) was utilised as of 31 December 2025 and secured by the Group's leasehold buildings and leasehold lands under right-of-use assets. The banking facilities will expire on 2 December 2026. The banking facilities have been recurrently renewed in the past, thus, the directors of the Company will negotiate with the bank for renewal of the banking facilities and consider the banking facilities will be renewed upon expiry;
- v. active cost-saving measures to control operating costs and administrative costs through various means have been implemented to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group; and
- vi. considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.1 Basis of preparation of the consolidated financial statements (Continued)

The Group's ability to continue as a going concern (Continued)

The directors of the Company have carried out a detailed review of the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the date of when the consolidated financial statements are authorised for issue. On the basis of the successful implementation of the plans and measures described above in the foreseeable future, after assessing the Group's current and forecasted cash flow positions, the directors of the Company are of the opinion that the Group will have adequate funds to finance its operations and to meet its liabilities as and when they fall due for at least twelve months from the date when the consolidated financial statements are authorised for issue. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.1 Basis of preparation of the consolidated financial statements (Continued)

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

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

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

The material accounting policies are set out below.

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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

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

Revenue from contracts with customers

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Manufacturing and sale of toys

Customers obtain control of the toy products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days.

Planting, cultivation and sale of agricultural produce and distribution of fruits

Revenue from planting, cultivation and sale of agricultural produce and distribution of fruits is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectability of the related receivables is reasonably assured.

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. It is the Group's policy to sell its products to end customers with a right of return within the date of products delivered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use assets includes:

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

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

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

Leasehold land and buildings

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees 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 options 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 options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to accumulated losses. 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 options reserve will be transferred to accumulated losses.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Property, plant and equipment measured using revaluation model

The Group performs revaluations of the properties with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Impairment on tangible assets

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Provisions

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

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

Financial instruments

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

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

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

Classification and subsequent measurement of financial assets

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses, net" line item.

Impairment of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses, net" line item (*note 6*) as part of the net foreign exchange gains (losses);
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "Other income, gains and losses, net" line item (*note 6*) as part of the net foreign exchange gains (losses). As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the FVTOCI/asset revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses, net" line item as part of the gain (loss) from changes in fair value of financial assets (*note 6*); and
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the FVTOCI/asset revaluation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual instruments which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, gains and losses, net" line item in profit or loss (*note 6*) as part of net foreign exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform.

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, which are described in note 3, 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, 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 have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern considerations

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast doubts about the going concern assumption are set out in note 3.1.

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.

Deferred tax asset

As at 31 December 2025 and 2024, no deferred tax asset in relation to unused tax losses for an operating subsidiary had been recognised in the Group's consolidated statement of financial position. No deferred tax asset had been recognised on the other tax losses of the subsidiaries in Hong Kong and the PRC of HK\$348,455,000 (2024: HK\$271,347,000) and RMB454,000 (equivalent to HK\$502,000) (2024: RMB757,000 (equivalent to HK\$818,000)) respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or a change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

Key sources of estimation uncertainty (Continued)

Fair value measurement and valuation processes of the leasehold buildings

The leasehold buildings are stated at revalued amount less accumulated depreciation in the consolidated statement of financial position at the end of each reporting period as disclosed in note 15. The revalued amount has been based on a valuation of the buildings conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions.

In estimating the revalued amount of the Group's leasehold buildings, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified professional valuer to perform the valuation of the Group's leasehold buildings. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group adopts valuation techniques that include Level 3 inputs. Where there is a material change in the revalued amount of the leasehold buildings, the causes of the fluctuations are reported to the Board of Directors of the Company (the "**Board**"). Changes to assumptions and inputs would result in changes in the revalued amount of the Group's leasehold buildings and corresponding adjustments to the amount of gain or loss reported in other comprehensive income.

Information about the valuation techniques and inputs used in determining the revalued amount of the Group's leasehold buildings are disclosed in note 15.

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

The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. The carrying amounts of the property, plant and equipment and right-of-use assets as at the end of the reporting period are HK\$87,037,000 and HK\$2,869,000 (2024: HK\$93,929,000 and HK\$3,348,000) respectively.

The management of the Group has assessed and concluded that the Group has classified two CGUs for impairment assessment purpose, which is based on the nature of business and smallest identifiable group of assets of the Group, that generates cash inflows that are largely independent of the cashflows from other assets or groups of assets, namely (i) Toys (as defined in note 5) and (ii) Agricultural Products (as defined in note 5).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

Key sources of estimation uncertainty (Continued)

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

During the year ended 31 December 2025, the Group had performed impairment assessment on the CGU in Toys segment with impairment indicator as this segment is the only source of revenue stream for the Group and has been incurring loss for three consecutive years.

For the purpose of impairment assessment, the management of the Group estimated the recoverable amounts for property, plant and equipment and right-of-use assets allocated to the CGU in Toys segment with carrying amounts of HK\$90,480,000 and HK\$3,512,000 (2024: HK\$99,682,000 and HK\$5,172,000), respectively as at 31 December 2025.

The recoverable amounts of the CGU in Toys segment of HK\$89,869,000 have been determined based on value-in-use calculations. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period, and pre-tax discount rate of 16.2% (2024: 13.7%), determined by using Capital Asset Pricing Model. The value-in-use calculations are determined by an independent valuer. The revenue for the next five years are projected using an average growth rate of 3.5% (2024: 5%) per annum which does not exceed the long-term average growth rate for the industry. Other key assumptions for the value-in-use calculations included budgeted sales and gross margins and their related cash inflow and outflow patterns, estimated based on the units' historical performance and management's expectation of the market development.

Based on the impairment assessment and the value-in-use calculation belongs to the Toys segment as defined under HKFRS 8, impairment losses of HK\$3,480,000 and HK\$643,000 have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets, respectively. Other than the leasehold buildings under property, plant and equipment, which is using revaluation model with estimated fair value less costs of disposal (using depreciated replacement cost valuation technique, as disclosed in note 15(d)), the impairment losses have been allocated to each category of property, plant and equipment and right-of-use assets, such that the carrying amount of each category of these assets is not reduced below the highest of its respective value in use or zero.

For the Agricultural Products segment, as no revenue was generated from this CGU, impairment assessment on certain property, plant and equipment was performed based on fair value less costs of disposal, with reference to valuations carried out by an independent professional valuer. As the recoverable amount of those assets was HK\$28,000, an impairment loss of HK\$3,407,000 was recognised.

In addition, impairment losses on right-of-use assets of HK\$63,000 and HK\$774,000 were recognised in the Agricultural Products segment and corporate level respectively as their recoverable amounts were nil.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

Key sources of estimation uncertainty (Continued)

Write-down of inventories to net realisable value

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory ageing report at the end of the reporting period to identify inventories that are no longer saleable in the market and estimated the net realisable value for those items based primarily on the latest invoice prices and current market conditions.

During the year ended 31 December 2025, write-down of inventories of HK\$19,863,000 (2024: HK\$4,683,000) was charged to profit or loss. As at 31 December 2025, the carrying amount of the Group's inventories is HK\$72,290,000 (2024: HK\$79,009,000).

Provision of ECL for trade receivables

For trade receivables, the Group applies the simplified approach to provide for ECL as prescribed by HKFRS 9, which requires the use of the lifetime ECL for all trade receivables. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

The information about the Group's trade receivables and ECL are disclosed in notes 18 and 34(b).

As at 31 December 2025, the gross carrying amount of trade receivables is HK\$81,989,000 (2024: HK\$105,083,000), and the provision of ECL is HK\$533,000 (2024: HK\$1,749,000).

5. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products and sale of agricultural products for the year. The revenue relates to revenue from contracts with customers which is within the scope of HKFRS 15. All revenue is recognised at a point in time upon delivery of the goods to customers and when there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectability of the related receivables is reasonably assured.

The Group manufactured toy products in accordance with the performance obligations as set out in each sales contract with its customers. The performance obligations in sales contracts have an original expected duration of one year or less. The Group has applied the practical expedient in HKFRS 15 and hence information about the Group's remaining performance obligations that are unfulfilled (or partially fulfilled) as of the end of the reporting period is not disclosed. The Group recognised the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised was one year or less.

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For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue from sale of toy products	382,395	514,023
Revenue from sale of agricultural products	–	<u>1,885</u>
	<u>382,395</u>	<u>515,908</u>

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical locations. Information reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment of segment performance focuses on types of goods delivered or services provided. The Group has presented the following two reportable segments to the chief operating decision maker. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. Toys: this segment derives its revenue from manufacturing and sale of toys.
2. Agricultural Products: this segment derives its revenue from plantation and sale of agricultural products.

The chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, certain prepayments and other receivables and certain bank balances and cash, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain other payables and accruals, certain lease liabilities, certain borrowings and amount due to ultimate holding company, which are grouped as unallocated corporate liabilities.

Segment (loss) profit before tax excludes unallocated corporate income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue, results, assets and liabilities

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

For the year ended 31 December 2025

	Toys HK\$'000	Agricultural Products HK\$'000	Total HK\$'000
Reportable segment revenue			
Revenue from external customers	382,395	–	382,395
Reportable segment loss before tax	(80,935)	(3,984)	(84,919)
Unallocated corporate income			2,449
Unallocated corporate expenses			(11,871)
Loss before tax			(94,341)

	Toys HK\$'000	Agricultural Products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Other segment information (included in the measure of segment profit or loss or segment assets)				
Depreciation of property, plant and equipment	(4,442)	(384)	(24)	(4,850)
Depreciation of right-of-use assets	(272)	(13)	(310)	(595)
Reversal of ECL for trade receivables	1,216	–	–	1,216
Provision of ECL for other receivables	–	–	(300)	(300)
Impairment loss on property, plant and equipment	(3,480)	(3,407)	–	(6,887)
Impairment loss on right-of-use assets	(643)	(63)	(774)	(1,480)
Write-down of inventories, net	(19,863)	–	–	(19,863)
Loss on disposal of property, plant and equipment, net	–	–	(278)	(278)
Gain on deregistration of a subsidiary	694	–	–	694
Bank interest income	140	–	–	140
Interest expense	(11,897)	–	(3,101)	(14,998)
Addition of right-of-use assets	(771)	–	(893)	(1,664)
Purchase of property, plant and equipment	(3,355)	–	(10)	(3,365)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue, results, assets and liabilities (Continued)

At 31 December 2025

	Toys HK\$'000	Agricultural Products HK\$'000	Total HK\$'000
Reportable segment assets	326,329	58	326,387
Unallocated corporate assets			4,712
Total assets			331,099
Reportable segment liabilities	487,184	629	487,813
Unallocated corporate liabilities			63,217
Total liabilities			551,030

For the year ended 31 December 2024

	Toys HK\$'000	Agricultural Products HK\$'000	Total HK\$'000
Reportable segment revenue			
Revenue from external customers	514,023	1,885	515,908
Reportable segment loss before tax	(44,504)	(3,515)	(48,019)
Unallocated corporate income			429
Unallocated corporate expenses			(21,847)
Loss before tax			(69,437)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue, results, assets and liabilities (Continued)

For the year ended 31 December 2024 (Continued)

	Toys HK\$'000	Agricultural Products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Other segment information (included in the measure of segment profit or loss or segment assets)				
Depreciation of property, plant and equipment	(10,662)	(998)	(77)	(11,737)
Depreciation of right-of-use assets	(954)	(486)	(13)	(1,453)
Provision of ECL for trade receivables	(574)	–	–	(574)
Provision of ECL for other receivables	–	–	(4,558)	(4,558)
Impairment loss on property, plant and equipment	(9,682)	–	–	(9,682)
Impairment loss on right-of-use assets	(2,088)	–	–	(2,088)
Impairment loss on goodwill	–	(740)	–	(740)
Write-down of inventories, net	(4,683)	–	–	(4,683)
Gain on disposal of property, plant and equipment, net	–	218	–	218
Loss on disposal of subsidiaries	–	–	(1,563)	(1,563)
Loss on deregistration of subsidiaries	(242)	–	–	(242)
Bank interest income	18	–	7	25
Interest expense	(16,854)	(3)	(1,327)	(18,184)
Purchase of property, plant and equipment	(4,750)	(4,757)	–	(9,507)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue, results, assets and liabilities (Continued)

At 31 December 2024

	Toys <i>HK\$'000</i>	Agricultural Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>336,812</u>	<u>4,325</u>	341,137
Unallocated corporate assets			<u>11,743</u>
Total assets			<u>352,880</u>
Reportable segment liabilities	<u>426,334</u>	<u>1,077</u>	427,411
Unallocated corporate liabilities			<u>65,956</u>
Total liabilities			<u>493,367</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OPERATING SEGMENTS (Continued)

(b) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue and (ii) the Group's non-current assets including property, plant and equipment and right-of-use assets. The geographical location of customers refers to the customers' place of domicile. The geographical locations of property, plant and equipment and right-of-use assets are based on the physical location of the assets under consideration.

	Revenue from external customers		Non-current assets	
	Year ended 31 December		At 31 December	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,611	5,458	9	494
The PRC	45,720	18,538	89,869	93,084
United States	286,208	426,265	–	–
Europe	29,796	39,156	–	–
Korea	14,090	21,562	–	–
Australia	2,970	3,044	–	–
Japan	–	1,885	28	3,699
	382,395	515,908	89,906	97,277

(c) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2025	2024
	HK\$'000	HK\$'000
Revenue from sale of toy products		
Customer A	273,372	419,637
Customer B	42,222	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. OTHER INCOME, GAINS AND LOSSES, NET

	2025 HK\$'000	2024 HK\$'000
Bank interest income	140	25
Net foreign exchange (loss) gain	(2,281)	2,288
Mould income	829	3,369
Rental income	–	189
(Loss) gain on disposal of property, plant and equipment, net	(278)	218
Gain (loss) on deregistration of subsidiaries (<i>note a</i>)	694	(242)
Waiver of borrowings (<i>note 24(i)</i>)	1,400	–
Waiver of directors' remuneration (<i>note 11</i>)	1,316	–
Sundry income (<i>note b</i>)	1,826	1,460
	3,646	7,307

Notes:

- (a) During the year ended 31 December 2025, the Group deregistered a wholly-owned subsidiary in the PRC. The gain on deregistration of a subsidiary at the date of deregistration was HK\$694,000 (2024: loss on deregistration of subsidiaries of HK\$242,000).
- (b) Sundry income included the imputed interest income from rental deposit of HK\$18,000 in 2025 (2024: HK\$36,000).

7. (REVERSAL) PROVISION OF EXPECTED CREDIT LOSS ON FINANCIAL ASSETS, NET

	2025 HK\$'000	2024 HK\$'000
(Reversal) provision of ECL recognised on:		
– Trade receivables (<i>notes 18 and 34(b)</i>)	(1,216)	574
– Other receivables (<i>note 19(b)</i>)	300	4,558
	(916)	5,132

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. FINANCE COSTS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest on bank loans	5,977	9,931
Interest on corporate bonds	2,810	3,037
Interest on revolving loan	384	343
Interest on short-term loans	5,397	4,239
Interest on other loan	265	–
Interest on lease liabilities	165	208
Imputed interest on convertible bonds	–	426
	14,998	18,184

9. INCOME TAX (CREDIT) EXPENSE

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	9	–
PRC Enterprise Income Tax		
Current year	7	3,952
	16	3,952
Deferred tax (credit) expense (<i>note 27</i>)	(687)	373
Income tax (credit) expense	(671)	4,325

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the year ended 31 December 2025 (2024: nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

9. INCOME TAX (CREDIT) EXPENSE (Continued)

The provision for the land appreciation tax ("LAT") is calculated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates on the appreciation value, with certain allowable deductions.

The Group is liable to the withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a double tax treaty between the PRC and Hong Kong and the relevant Hong Kong companies should be qualified for the preferential tax rate based on the prescribed conditions.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Loss before tax	(94,341)	(69,437)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	(19,457)	(10,110)
Tax effect of income not taxable for tax purpose	(3,217)	(3,947)
Tax effect of expenses not deductible for tax purpose	2,633	8,637
Tax effect of deductible temporary differences not recognised	7,184	1,896
Effect of withholding tax at 5% on the distributable profits of the Company's subsidiaries in the PRC	(680)	409
Deferred tax effect of LAT	(7)	(8)
Deferred tax effect of biological assets	–	(28)
Underprovision in prior years	80	–
Tax effect of tax losses not recognised	12,793	9,670
Utilisation of tax losses previously not recognised	–	(2,194)
	(671)	4,325

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Employee benefit expenses (including directors' remuneration):		
– Wages and salaries	91,191	96,774
– Other employee benefits	1,237	3,148
– Contributions to defined contribution retirement plans	10,192	9,857
	102,620	109,779
Auditors' remuneration	780	1,000
Cost of inventories recognised as an expense (included in cost of sales) (<i>note a</i>)	392,554	495,518
Depreciation of property, plant and equipment	4,850	11,737
Depreciation of right-of-use assets	595	1,453
Write-down of inventories, net (included in cost of sales)	19,863	4,683
Short-term lease charges in respect of leasehold buildings	742	351
Professional fees (included in other operating expenses)	2,003	1,350

Notes:

- (a) Cost of inventories includes the cost of raw materials, work-in-progress and finished goods of HK\$184,344,000 (2024: HK\$216,213,000), staff costs of HK\$73,498,000 (2024: HK\$78,162,000) and depreciation of HK\$4,590,000 (2024: HK\$5,533,000).
- (b) Employee benefit expenses include HK\$73,498,000 (2024: HK\$78,162,000) in cost of sales, HK\$28,004,000 (2024: HK\$30,447,000) in administrative expenses and HK\$1,118,000 (2024: HK\$1,170,000) in selling and distribution costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors of the Company) Regulation are as follows:

	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
2025					
<i>Executive Directors</i>					
Ms. Wang Jingyu	(i)	-	43	2	45
Mr. Yiu Chun Kong	(ii)	-	47	2	49
Mr. Weng Zudian	(iii)	-	95	-	95
Mr. Wong Danny F.	(iv)	-	21	-	21
Mr. Jiang Qinghui	(v)	-	480	12	492
Mr. Li Zhonghai	(v)	-	800	12	812
		-	1,486	28	1,514
<i>Non-executive Director</i>					
Mr. Lin Shaopeng		120	1,247	53	1,420
<i>Independent Non-executive Directors</i>					
Ms. Wu Yan Yee	(ii)	43	-	-	43
Ms. Wong Tin Ying Jade	(ii)	43	-	-	43
Mr. Wu Jiwei	(vi)	26	-	-	26
Ms. Wang Yumei	(iii)	94	-	-	94
Mr. Kwok Kim Hung Eddie	(vii)	73	-	-	73
Mr. Zhao Yong	(viii)	61	-	-	61
Mr. Chan Cheuk Ho	(ix)	20	-	-	20
		360	-	-	360
		480	2,733	81	3,294

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
2024					
<i>Executive Directors</i>					
Mr. Weng Zudian	(iii)	-	120	-	120
Mr. Jiang Qinghui	(v)	-	708	-	708
Mr. Li Zhonghai	(v)	-	1,182	-	1,182
		-	2,010	-	2,010
<i>Non-executive Director</i>					
Mr. Lin Shaopeng		120	1,262	51	1,433
<i>Independent Non-executive Directors</i>					
Ms. Wang Yumei	(iii)	6	-	-	6
Mr. Kwok Kim Hung Eddie	(vii)	120	-	-	120
Mr. Zhao Yong	(viii)	156	-	-	156
Mr. Chan Cheuk Ho	(ix)	120	-	-	120
		402	-	-	402
		522	3,272	51	3,845

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Weng Zudian was also the chief executive officer of the Company until 14 October 2025 and his emoluments disclosed above include those services rendered by him as the chief executive.

Ms. Wang Jingyu has been appointed as the chief executive officer since 14 October 2025 and her emoluments disclosed above include those services rendered by her as the chief executive.

The Non-executive Director's emoluments shown above were mainly for his services as directors of the Company or its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

Notes:

- (i) Appointed on 3 September 2025.
- (ii) Appointed on 22 August 2025.
- (iii) Resigned on 14 October 2025.
- (iv) Appointed on 29 July 2025 and resigned on 30 September 2025.
- (v) Resigned on 3 September 2025.
- (vi) Appointed on 14 October 2025.
- (vii) Resigned on 8 August 2025.
- (viii) Retired on 22 May 2025.
- (ix) Resigned on 28 February 2025.

During the year ended 31 December 2025, Dr. Liao Wenjian and Mr. Zhao Deyong, the ex-directors of the Company, who resigned on 28 December 2023 and retired on 16 June 2023 respectively, had waived their remuneration of HK\$677,000 and HK\$639,000 respectively for the year ended 31 December 2023 (2024: nil).

Except for the above, there was no arrangement under which any directors waived or agreed to waive any remuneration during the year ended 31 December 2025 (2024: nil). During the years ended 31 December 2025 and 2024, no emolument was paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office.

As at 31 December 2025 and 2024, no share options had been granted to directors of the Company.

(b) Directors' retirement benefits

Except for those disclosed above, none of the directors of the Company received during the year or will receive any retirement benefits (2024: nil).

(c) Directors' termination benefits

None of the directors of the Company received during the year or will receive any termination benefits (2024: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(d) Consideration provided to or receivable by 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 of the Company, controlled bodies corporates and connected entities with such directors of the Company

During the year ended 31 December 2025, there were no loan, quasi-loan and other dealing arrangement in favour of the directors of the Company, or controlled body corporates and connected entities of such directors of the Company (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 a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year of 2025 or at any time during the year ended 31 December 2025 (2024: nil).

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals during the year included two (2024: two) directors of the Company and details of their emoluments are set out in note 11 above, the aggregate emoluments of the remaining three (2024: three) individuals are as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	3,280	3,346
Retirement benefit scheme contributions	142	145
	<u>3,422</u>	<u>3,491</u>

The emoluments of the three (2024: three) highest paid individuals (other than the directors of the Company) are within the following bands:

	Number of individuals	
	2025	2024
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>1</u>	<u>1</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. DIVIDENDS

No dividends were paid, declared or proposed during the year. The directors of the Company have determined that no dividend will be paid in respect of the year ended 31 December 2025 (2024: nil).

14. LOSS PER SHARE

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(92,830)</u>	<u>(73,026)</u>
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>220,701</u>	<u>175,695</u>

The weighted average number of ordinary shares for the years ended 31 December 2025 and 2024 for the purposes of calculating the basic loss per share, had been adjusted to account for the effect of the bonus element of the Rights Issue of the Company (*note 38(a)*) which was completed on 16 January 2026.

The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares in issue for the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
2025							
At 1 January 2025							
Cost or valuation	90,000	5,284	74,172	43,748	5,598	-	218,802
Accumulated depreciation and impairment	-	(5,236)	(72,065)	(42,835)	(4,737)	-	(124,873)
Carrying amount	<u>90,000</u>	<u>48</u>	<u>2,107</u>	<u>913</u>	<u>861</u>	<u>-</u>	<u>93,929</u>
Year ended 31 December 2025							
Opening net carrying amount	90,000	48	2,107	913	861	-	93,929
Additions	-	800	1,283	808	-	474	3,365
Transfer	-	-	474	-	-	(474)	-
Disposals	-	-	(322)	(37)	(294)	-	(653)
Deficit on revaluation	(3,388)	-	-	-	-	-	(3,388)
Depreciation	(4,286)	(48)	(379)	(68)	(69)	-	(4,850)
Impairment	-	(831)	(3,775)	(1,764)	(517)	-	(6,887)
Exchange realignment	4,674	31	641	156	19	-	5,521
Closing net carrying amount	<u>87,000</u>	<u>-</u>	<u>29</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>87,037</u>
At 31 December 2025							
Cost or valuation	87,000	6,514	76,300	45,007	4,643	-	219,464
Accumulated depreciation and impairment	-	(6,514)	(76,271)	(44,999)	(4,643)	-	(132,427)
Carrying amount	<u>87,000</u>	<u>-</u>	<u>29</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>87,037</u>
Analysis of cost or valuation							
At cost	-	-	29	8	-	-	37
At valuation	<u>87,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,000</u>
	<u>87,000</u>	<u>-</u>	<u>29</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>87,037</u>

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For the year ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
2024							
At 1 January 2024							
Cost or valuation	96,000	5,876	72,502	45,574	8,493	152	228,597
Accumulated depreciation and impairment	-	(5,677)	(61,044)	(41,771)	(4,741)	-	(113,233)
Carrying amount	96,000	199	11,458	3,803	3,752	152	115,364
Year ended 31 December 2024							
Opening net carrying amount	96,000	199	11,458	3,803	3,752	152	115,364
Additions	-	685	4,233	1,833	2,731	25	9,507
Disposals	-	-	(604)	(146)	(3,579)	(172)	(4,501)
Surplus on revaluation	4,364	-	-	-	-	-	4,364
Depreciation	(4,364)	(528)	(3,768)	(1,962)	(1,115)	-	(11,737)
Impairment	-	(280)	(6,290)	(2,424)	(688)	-	(9,682)
Exchange realignment	(6,000)	(28)	(2,922)	(133)	(241)	(5)	(9,329)
Disposal of subsidiaries	-	-	-	(58)	1	-	(57)
Closing net carrying amount	90,000	48	2,107	913	861	-	93,929
At 31 December 2024							
Cost or valuation	90,000	5,284	74,172	43,748	5,598	-	218,802
Accumulated depreciation and impairment	-	(5,236)	(72,065)	(42,835)	(4,737)	-	(124,873)
Carrying amount	90,000	48	2,107	913	861	-	93,929
Analysis of cost or valuation							
At cost	-	48	2,107	913	861	-	3,929
At valuation	90,000	-	-	-	-	-	90,000
	90,000	48	2,107	913	861	-	93,929

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	Over the remaining lease terms of 21 years (2024: 22 years)
Leasehold improvements	10% to 33%
Plant and machinery	6.67% to 15%
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	20%

- (a) The carrying amounts of the leasehold buildings of the Group as at 31 December 2025 would have been HK\$29,595,000 (2024: HK\$31,075,000) had they been carried at cost less accumulated depreciation.
- (b) As at 31 December 2025, the Group's leasehold buildings in the PRC with carrying amounts of HK\$87,000,000 (2024: HK\$90,000,000) were pledged to secure general banking facilities granted to the Group (*note 24(a)*).
- (c) The leasehold buildings situated in the PRC of HK\$87,000,000 (2024: HK\$90,000,000) are located on the leasehold lands as disclosed in note 16 to the consolidated financial statements.
- (d) Fair value measurement of the Group's leasehold buildings

The Group's leasehold buildings were revalued on 31 December 2025 and 2024 by RHL Appraisal Limited ("**RHL**"), an independent qualified professional valuer not connected to the Group.

Due to the nature of buildings and structures, and absence of sufficient market data, the fair value of the leasehold buildings was determined based on the depreciated replacement cost approach calculated based on the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuations were carried out by RHL, which has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's finance department worked closely and had discussions with RHL on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period. There has been no change to the valuation technique during the year.

In estimating the fair value of the leasehold buildings, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (d) Fair value measurement of the Group's leasehold buildings (Continued)

Fair value hierarchy

The following table presents the fair value of the Group's leasehold buildings measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The leasehold buildings located in the PRC are measured at Level 3 of fair value hierarchy as at 31 December 2025 and 2024.

	Fair value hierarchy	Fair value as at 31 December 2025 HK\$'000	Fair value hierarchy	Fair value as at 31 December 2024 HK\$'000
Leasehold buildings in the PRC	Level 3	87,000	Level 3	90,000
Less: costs of impairment loss		–		–
		87,000		90,000

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Information about Level 3 fair value measurements

For the years ended 31 December 2025 and 2024

	Valuation techniques	Significant unobservable input	Sensitivity
Leasehold buildings in the PRC	Depreciated replacement cost approach	Recent general construction cost, taking into account the differences in location and the age of property, at a rate of RMB2,100 (2024: RMB2,000) per square metre.	A significant increase in construction cost would result in a significant increase in fair value, and vice versa.

- (e) Impairment assessment of the Group's property, plant and equipment

Details of impairment assessment are disclosed in note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. RIGHT-OF-USE ASSETS

	Leasehold lands <i>HK\$'000</i>	Leased properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2025			
Carrying amount	2,869	–	2,869
At 31 December 2024			
Carrying amount	3,011	337	3,348
For the year ended 31 December 2025			
Depreciation charge	144	451	595
For the year ended 31 December 2024			
Depreciation charge	144	1,309	1,453
		2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Expense relating to short-term leases		742	351
Total cash outflow for leases		1,446	1,553
Addition of right-of-use assets		1,664	–

For both years, the Group leases various offices and industrial buildings for its operations. Lease contracts are entered into for fixed term of 1 year to 9 years (2024: 1 year to 9 years), but may have extension and termination options. In determining the lease term, the Group considers whether it is reasonably certain to exercise such options. No such options were exercised or triggered in 2024 and 2025. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. RIGHT-OF-USE ASSETS (Continued)

The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

As at 31 December 2025, the Group's leasehold lands under right-of-use assets in the PRC with carrying amounts of HK\$2,869,000 (2024: HK\$3,011,000) were pledged to secure general banking facilities granted to the Group (note 24(a)).

The leasehold lands are held under a medium term lease and is situated in the PRC.

The Group has performed impairment assessment of its right-of-use assets. Details of the impairment assessment, including amounts recognised, are disclosed in note 4 to the consolidated financial statements.

17. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	15,846	19,313
Work-in-progress	40,939	44,934
Finished goods	15,505	14,762
	<u>72,290</u>	<u>79,009</u>

18. TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables, gross	81,989	105,083
Less: provision of ECL	(533)	(1,749)
Trade receivables, net	<u>81,456</u>	<u>103,334</u>

At as 31 December 2025, the gross carrying amount of trade receivables arising from contracts with customers amounted to HK\$81,989,000 (2024: HK\$105,083,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

18. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables (net of provision of ECL), presented based on the invoice dates, which approximated the revenue recognition date:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
0 to 30 days	49,594	40,929
31 to 90 days	26,366	59,615
Over 90 days	5,496	2,790
	81,456	103,334

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing. All trade receivables are expected to be recovered within one year.

ECL of trade receivables

Movements in the impairment allowance on trade receivables

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
1 January	1,749	1,175
Reversal of ECL	(1,749)	(1,175)
Provision of ECL	533	1,749
31 December	533	1,749

During the year ended 31 December 2025, the Group recognised reversal of ECL of HK\$1,749,000 (2024: HK\$1,175,000) due to related trade receivables being settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

18. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

At the end of the reporting period, the Group reviews trade receivables for evidence of impairment on both an individual and a collective basis. The provision of ECL for trade receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. After the above assessment performed by the directors of the Company, a net reversal of ECL of HK\$1,216,000 (2024: net provision of HK\$574,000) was recognised for current year and the directors of the Company consider that the trade debtors are of good credit quality. Details of ECL assessment are disclosed in note 34(b) to the consolidated financial statement.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Neither past due nor impaired	68,340	69,386
Past due but not impaired		
Less than 1 month past due	8,935	28,931
1 to 3 months past due	4,181	2,925
Over 3 months past due	–	2,092
	81,456	103,334

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Prepayments (<i>note a</i>)	3,507	3,432
Value-added tax recoverable arising from Toys segment	1,962	5,810
Rental and other deposits	696	461
Other receivables (<i>note b</i>)	3,324	8,299
	9,489	18,002
Analysed as:		
Non-current (rental deposit)	368	146
Current	9,121	17,856
	9,489	18,002

Notes:

- (a) Prepayments included the prepayments paid to suppliers, amounting to HK\$2,360,000 (2024: HK\$3,340,000).
- (b) As at 31 December 2025, other receivables included the gross outstanding consideration receivables of HK\$6,833,000 (2024: HK\$8,600,000) from the purchaser of disposed subsidiary, Bright Triumph Development Limited ("**Bright Triumph**"). No further provision was made (2024: HK\$4,558,000 was recognised in the profit or loss) during the year. Other than the outstanding consideration receivables, a provision for other receivables of HK\$300,000 was recognised in the profit or loss during the year for the remaining other receivables.
- (c) The Group recognised lifetime ECL for other receivables based on individually significant debtors or the ageing of debtors collectively that are not individually significant by reference to past default experience of the debtor at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits as at 31 December 2025 carried interest at rates that range from 0.05% to 0.95% per annum (2024: nil). The pledged bank deposits will be released upon the settlement of relevant bills payables.

Bank balances carried interest at market rates which range from 0.0001% to 0.5% per annum (2024: 0.0001% to 1% per annum). The bank balances were deposited with banks with no recent history of default.

For the years ended 31 December 2025 and 2024, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

21. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables, presented based on the invoice date:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
0 to 30 days	77,387	103,007
31 to 90 days	41,945	50,527
Over 90 days	115,639	51,090
	234,971	204,624

The trade and bills payables are expected to be settled within one year.

Note:

The bills payables included in trade and bills payables of HK\$44,445,000 (equivalent to RMB40,143,000) (2024: nil) in which the Group has issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group continues to recognise these trade payables as the Group are obliged to make payments to the relevant bank on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills by the Group are included in operating cash flows based on the nature of the arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

22. OTHER PAYABLES AND ACCRUALS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Accrued staff costs	8,640	14,540
Accruals (<i>note a</i>)	8,592	13,849
Other payables (<i>note b</i>)	20,641	16,192
Acquisition payable to non-controlling interest of a subsidiary	1,700	1,700
Amount due to non-controlling interest of a subsidiary	–	45
	39,573	46,326

Notes:

- (a) Accruals mainly included the audit fee and legal and professional fees, amounting to HK\$1,400,000 (2024: HK\$3,645,000).
- (b) Other payables mainly included interest payables for borrowings, amounting to HK\$12,813,000 (2024: HK\$8,794,000).

23. CONTRACT LIABILITIES

The contract liabilities are analysed as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Deposits received from customers	1,406	722

As at 1 January 2024, contract liabilities amounted to HK\$1,154,000.

The following table shows the revenue recognised and that was related to carried-forward contract liabilities:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue recognised and that was included in contract liabilities at the beginning of the reporting period:		
Deposits received from customers	722	1,154

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

23. CONTRACT LIABILITIES (Continued)

The following table shows the amounts expected to be recognised as revenue:

	2025 HK\$'000	2024 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	<u>1,406</u>	<u>722</u>

24. BORROWINGS

	Contractual interest rate (%)	2025 HK\$'000	Contractual interest rate (%)	2024 HK\$'000
Bank loans – secured (note a)	Fixed rates ranging from 3.50% to 5.20% per annum	150,192	Fixed rates ranging from 3.85% to 6.30% per annum	139,589
Corporate bonds – secured (note b)	Fixed rate at 6.75% per annum	45,000	Fixed rate at 6.75% per annum	45,000
Term loans – secured (note c)	Fixed rate at 12.00% per annum	17,000	Fixed rate at 12.00% per annum	17,000
– secured (note d)	Fixed rate at 12.00% per annum	5,000	Fixed rate at 12.00% per annum	<u>5,000</u>
Sub-total of secured borrowings		<u>217,192</u>		<u>206,589</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. BORROWINGS (Continued)

	Contractual interest rate (%)	2025 HK\$'000	Contractual interest rate (%)	2024 HK\$'000
Revolving loan – unsecured (note e)	Fixed rate at 12.00% per annum	3,000	Fixed rate at 12.00% per annum	3,000
Term loans – unsecured (note f)	Fixed rate at 12.00% per annum	5,000	Fixed rate at 12.00% per annum	5,000
– unsecured (note g)	Fixed rate at 12.00% per annum	30,000	N/A	–
Other loan – unsecured (note h)	N/A	–	Interest-free	2,500
Sub-total of unsecured borrowings		38,000		10,500
Total		255,192		217,089
Analysed as current		255,192		217,089

The above loans are measured at amortised costs.

Notes:

- (a) The bank borrowings were secured by the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of HK\$87,000,000 (2024: HK\$90,000,000) and HK\$2,869,000 (2024: HK\$3,011,000) respectively.

The total banking facilities granted to the Group amounted to RMB260,000,000 (equivalent to HK\$287,865,000) (2024: RMB160,000,000 (equivalent to HK\$172,786,000)), including exposure limit and non-exposure limit of RMB160,000,000 (equivalent to HK\$177,148,000) and RMB100,000,000 (equivalent to HK\$110,717,000) respectively, of which only exposure limit of RMB148,602,000 (equivalent to HK\$164,528,000) (2024: RMB129,260,000 (equivalent to HK\$139,589,000)) was utilised as at 31 December 2025. The utilised balance consists of bank borrowings of RMB135,653,000 (equivalent to HK\$150,192,000) and bills payables of RMB12,949,000 (equivalent to HK\$14,337,000). On 9 December 2024, an extension agreement for the banking facilities was entered into between the Group and the bank to extend the facilities to 2 December 2026.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. BORROWINGS (Continued)

Notes: (Continued)

- (b) On 7 December 2016, corporate bonds amounted to HK\$45,000,000 were issued by the Company, bearing interest of 6% per annum and payable semiannually in arrears, and with maturity in two years, which were secured by shares of a subsidiary of the Company.

The corporate bonds had become due and payable on its maturity date of 6 December 2018. As at 31 December 2018, the Group defaulted on the repayment of the corporate bonds and further negotiated with the bond holder for extension. On 23 August 2019, by successfully entering into a deed of waiver and a supplemental deed poll to the bond instrument executed by the Company, the Group was discharged and released from the obligation and liabilities which arose from the default and the maturity date has been extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. On 27 December 2019, an extension deed had been signed, which the maturity date had been extended to 31 March 2021. On 29 March 2021, another extension deed was signed, whereby the maturity date was further extended to 31 March 2022. On 29 March 2022, another extension deed was signed whereby the maturity date was further extended to 31 March 2023 and upon agreement by the bond holder, the maturity date was further extended to 30 September 2025.

On 22 January 2026, the corporate bonds were fully settled subsequently.

- (c) On 13 May 2020, the Group obtained a term loan of HK\$11,000,000 at a fixed rate of 12% per annum from an independent third party, with maturity in one year. The loan was secured by pledge of shares of a subsidiary of the Group and a first floating charge over the assets of a subsidiary of the Group to the lender.

The term loan was payable on its maturity date of 13 May 2021. On 13 March 2021, the Group entered into an extension letter to extend the maturity date to 13 May 2022. On 30 June 2021, an additional loan was obtained from the same independent third party amounted to HK\$6,000,000 under the same terms. On 19 April 2022, the Group extended the maturity date to 13 May 2023. On 8 May 2023, the Group further extended the maturity date to 13 May 2025. On 13 May 2025, the Group further extended the maturity to 13 May 2026.

On 15 January 2026, the term loan was fully settled subsequently.

- (d) On 25 January 2021, the Group obtained a term loan of HK\$15,000,000 at a fixed rate of 12% per annum from an independent third party, with maturity date of 27 April 2021. The loan was secured by a first floating charge over all the undertaking property and assets of a subsidiary of the Group to the lender.

The term loan was payable on its maturity date of 27 April 2021. On 29 March 2021, the Group extended the maturity date to 27 April 2022. On 31 March 2022, the Group extended the maturity date to 27 April 2023. On 31 August 2023, the Group repaid a principal amount of HK\$10,000,000. On 1 September 2023, the Group further extended the maturity date to 27 April 2025. On 9 April 2025, the Group further extended the maturity date to 27 April 2026 and the outstanding principal amount of HK\$5,000,000.

On 15 January 2026, the term loan was fully settled subsequently.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. BORROWINGS (Continued)

Notes: (Continued)

- (e) On 24 May 2021, the Group obtained a revolving loan facility for an aggregate principal amount of HK\$50,000,000 at a fixed rate of 12% per annum from an independent third party, with maturity in one year. The loan was guaranteed by the Company. On 19 April 2022, the Group entered into an extension letter to extend the maturity date to 24 May 2023. On 23 May 2023, the Group entered into another extension letter to further extend the maturity date to 24 May 2025. On 7 April 2025, the Group entered into another extension letter to further extend the maturity date to 24 May 2027. As at 31 December 2025, the Group had utilised HK\$3,000,000 of its revolving loan facility, with the remaining of HK\$47,000,000 unutilised.

On 15 January 2026, the revolving loan was fully settled subsequently.

- (f) On 11 March 2024, the Group obtained a term loan of HK\$5,000,000 at a fixed rate of 12% per annum from an independent third party and the term loan was payable on its maturity date of 11 September 2025. On 28 August 2025, the Group extended the maturity date to 11 March 2027.

On 15 January 2026, the term loan was fully settled subsequently.

- (g) On 12 December 2025, the Group obtained a short-term loan of HK\$30,000,000 at a fixed rate of 12% per annum from an independent third party, with maturity date of 11 December 2026.

On 22 January 2026, the short-term loan was fully settled subsequently.

- (h) On 20 April 2023, the Company completed the issue of convertible bond with principal amount of HK\$2,500,000 ("**Convertible Bond A**"). The holder of Convertible Bond A did not extend their bonds upon maturity date in December 2024 and such Convertible Bond A were reclassified to borrowing. During the year ended 31 December 2025, interest expense of HK\$265,000 was recognised, with no default interest charged.

On 30 September 2025, the Convertible Bond A was fully settled.

- (i) On 2 April 2025, 7 April 2025, 24 April 2025, 30 April 2025, 15 May 2025 and 16 May 2025, the Group obtained short-term loans of HK\$50,000, HK\$40,000, HK\$260,000, HK\$750,000, HK\$235,000 and HK\$150,000 respectively from an independent third party, which were interest-free and repayable in three months, which were classified as current liabilities.

The Group repaid HK\$85,000 on 2 September 2025.

On 29 September 2025, the Group and the borrower signed a deed of waiver for the remaining balances of these short-term loans. A waiver of borrowings of HK\$1,400,000 was recognised during the year.

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25. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company, Peak Access International Limited, is unsecured, interest-free, non-trade nature and repayable on demand. On 22 January 2026, the amount was fully settled subsequently.

26. LEASE LIABILITIES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	1,396	1,090
Within a period of more than one year but not more than two years	549	612
Within a period of more than two years but not more than five years	37	772
	1,982	2,474
Less: Amount due for settlement within 12 months shown under current liabilities	(1,396)	(1,090)
Amount due for settlement after 12 months shown under non-current liabilities	586	1,384

27. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Deferred tax liabilities	12,965	16,269

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

27. DEFERRED TAX LIABILITIES (Continued)

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Biological assets <i>HK\$'000</i>	Withholding tax <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred tax arising from:					
At 1 January 2024	15	12,665	31	3,534	16,245
(Credited) charged to profit or loss (note 9)	(8)	–	(28)	409	373
Exchange realignment	–	(270)	(3)	(76)	(349)
At 31 December 2024	7	12,395	–	3,867	16,269
Credited to profit or loss (note 9)	(7)	–	–	(680)	(687)
Credited to other comprehensive income	–	(2,844)	–	–	(2,844)
Exchange realignment	–	182	–	45	227
At 31 December 2025	–	9,733	–	3,232	12,965

At the end of the reporting period, the Group had unused tax losses arising in Hong Kong of HK\$348,455,000 (2024: HK\$271,347,000) available for offset against future profits. As at 31 December 2025, the management of the Group reassessed the recoverability of deferred tax assets and no deferred tax asset (2024: nil) had been recognised in respect of such losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

As at 31 December 2025, the Group had tax losses arising in the PRC of RMB454,000 (equivalent to HK\$502,000) (2024: RMB757,000 (equivalent to HK\$818,000)) available for offsetting against future profits that may be carried forward for up to five years for EIT purpose. Deferred tax assets on these tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose.

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28. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2024		
Ordinary shares of HK\$0.01 each	70,000,000	700,000
Share consolidation (<i>note b</i>)	(56,000,000)	–
Share sub-division (<i>note c</i>)	56,000,000	–
	<u>70,000,000</u>	<u>700,000</u>
At 31 December 2024, 1 January 2025 and 31 December 2025		
Ordinary shares of HK\$0.01 each	<u>70,000,000</u>	<u>700,000</u>
Issued and fully paid:		
At 1 January 2024		
Ordinary shares of HK\$0.01 each	509,822	5,098
Issue of new shares pursuant to subscription agreement (<i>note a</i>)	101,965	1,020
Share consolidation (<i>note b</i>)	(489,430)	–
Capital reduction (<i>note c</i>)	–	(4,894)
Issue of new shares pursuant to subscription agreement (<i>note d</i>)	23,000	230
	<u>145,357</u>	<u>1,454</u>
At 31 December 2024 and 1 January 2025		
Ordinary shares of HK\$0.01 each	145,357	1,454
Issue of new shares pursuant to subscription agreement (<i>note e</i>)	9,400	94
Issue of new shares pursuant to placing agreement (<i>note f</i>)	30,951	309
	<u>185,708</u>	<u>1,857</u>
At 31 December 2025		
Ordinary shares of HK\$0.01 each	<u>185,708</u>	<u>1,857</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

28. SHARE CAPITAL (Continued)

Notes:

- (a) On 2 January 2024, the Company entered into a subscription agreement to issue and allot 101,964,566 ordinary shares of the Company to the subscriber at a subscription price of HK\$0.066 per share under the general mandate. The issue of subscription shares was completed on 15 January 2024 with net proceeds of approximately HK\$6.5 million raised.
- (b) Pursuant to the special resolution passed at the special general meeting of the Company held on 22 May 2024, the Company completed share consolidation of every five (5) issued and unissued shares of par value of HK\$0.01 each in the share capital of the Company into one (1) consolidated share of par value of HK\$0.05 each. Accordingly the authorised share capital of the Company had become HK\$700,000,000 divided into 14,000,000,000 consolidated shares of par value of HK\$0.05 each on 24 May 2024.
- (c) Immediately following the share consolidation in note (b) above, the issued share capital of the Company had been reduced by cancelling the paid-up capital to the extent of HK\$0.04 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK\$0.05 to HK\$0.01. Besides, each authorised but unissued consolidated share of HK\$0.05 each was sub-divided into five (5) new authorised and unissued ordinary shares of HK\$0.01 each. The capital reorganisation was completed on 24 May 2024. The Company's issued share capital has then be reduced from HK\$6,117,874 to HK\$1,223,575 by HK\$4,894,299, which was transferred to accumulated losses. Details of which are set out in the Company's circular dated 29 April 2024 and announcements dated 22 May 2024 and 24 May 2024.
- (d) On 8 July 2024, the Company entered into a subscription agreement to issue and allot 23,000,000 ordinary shares of the Company to the subscriber at a subscription price of HK\$0.20 per share under specific mandate. The issue of subscription shares was completed on 26 August 2024 with net proceeds of approximately HK\$4.3 million raised.
- (e) On 22 January 2025, the Company entered into a subscription agreement to issue and allot 9,400,000 ordinary shares of the Company to the subscriber at a subscription price of HK\$0.14 per share under general mandate. The issue of subscription shares was completed on 28 January 2025 with net proceeds of approximately HK\$1.2 million raised.
- (f) On 11 September 2025, the Company entered into a placing agreement to issue and allot 30,951,496 ordinary shares of the Company to not less than six placees at a price of HK\$0.35 per placing share under general mandate (the "**Placing**"). The Placing was completed on 19 September 2025 with net proceeds of approximately HK\$10.4 million raised.

Notes to the Consolidated Financial Statements

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29. SHARE OPTION SCHEME

On 29 October 2024, in view of the expiration of the old share option scheme, the Board proposed to adopt a new share option scheme (the “**Share Option Scheme**”) so that the Company can continue to provide incentives or rewards to the Group’s eligible participants (the “**Eligible Participant(s)**”) which are (i) the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted share options under the Share Option Scheme as inducement to enter into employment contracts with any member of the Group); (ii) the directors and employees (whether full time or part time) of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) person(s) who provide services to any member of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, that is, person(s) who are contractor, supplier, distributor, promoter, agent, consultant, adviser and/or business partner in relation to the Group’s businesses (but excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and other professional services provider such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity) (the “**Service Providers**”), for their contribution or potential contribution to the Group and to promote the overall success of the business of the Group. The Share Option Scheme will remain in force for 10 years from 19 November 2024 (the “**Adoption Date**”) unless terminated earlier by ordinary resolution of shareholders. No share options have been granted under the Share Option Scheme since its adoption by the Company.

The maximum number of shares of the Company (the “**Shares**”) which may be issued under the Share Option Scheme (together with any other share schemes of the Company) shall not exceed 10% of the issued share capital of the Company (excluding treasury shares) as at the Adoption Date, i.e. 14,535,748 Shares. Within this limit, the sublimit on the total number of Shares which may be issued in respect of all share options granted to Service Providers shall not exceed 3% of the issued share capital i.e. 4,360,724 Shares. The maximum number of Shares that may be granted to any one Eligible Participant in any twelve-month period shall not exceed 1% of the issued share capital as at the date of grant unless separately approved by the shareholders of the Company (the “**Shareholders**”). If new Shares are to be issued under the Share Option Scheme and assuming there are no existing shares to be issued under the Share Option Scheme, the maximum number of new Shares to be issued will be 14,535,748 Shares, representing approximately 1.0% of the existing issued share capital of the Company (taking into account of the current issued share capital of 1,485,671,808 Shares) as at the date of this report. Where share options are proposed to be granted to an independent non-executive director of the Company or a substantial shareholder (as defined in the Listing Rules) or any of their respective associates and if such grant would result in the Shares issued and to be issued (including any treasury shares which may be transferred, as applicable) in respect of all share options and awards granted and to be granted (excluding any share options and awards lapsed in accordance with the terms of the relevant schemes) to such person in any twelve-month period up to and including the date of grant representing in aggregate over 0.1% of the total issued Shares (excluding treasury shares) such further grant of share options must be approved by the Shareholders in a general meeting of the Company with such grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour of the proposed grant at such general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

29. SHARE OPTION SCHEME (Continued)

The offer of grant (the “**Offer**”) under the Share Option Scheme may be accepted by Eligible Participant(s) within 21 days from the date on which an Offer is made to the Eligible Participant(s) (the “**Offer Date**”) upon payment of a nominal consideration of HK\$1.00 in total by the grantee(s). The exercise period of share options granted shall be determined by the Board, provided that such period shall not exceed 10 years from the date of grant of the particular share option and shall be subject to the provisions for early termination contained in the Share Option Scheme.

Save for specified exceptions where the Board may exercise discretion (including grants to an employee whose employment is terminated due to death, or grants that are made in batches for administrative and compliance reasons), share options must generally be held for a minimum vesting period of 12 months before becoming exercisable. The Board may impose performance-based vesting conditions in lieu of time-based vesting criteria.

The exercise price of the share options shall be determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares on the Offer Date (being a business day); (ii) the average closing price for the five consecutive business days immediately preceding the Offer Date; and (iii) the nominal value of the Share (HK\$0.01) on the Offer Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

No share options have been granted since the Adoption Date and were outstanding under the Share Option Scheme as at 31 December 2025 and 2024.

30. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and the employees each contributes 5% of relevant payroll costs to MPF Scheme subject to a cap of monthly relevant income of HK\$30,000 per employee.

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK\$10,192,000 (2024: HK\$9,857,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

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31. OPERATING LEASE COMMITMENTS

The Group as lessor

As at 31 December 2024, all of the properties and motor vehicles held by the Group for rental purpose had committed lessees for the next year. The leases did not include contingent rentals.

	2025 HK\$'000	2024 HK\$'000
Within one year	–	60

32. DISPOSAL OF SUBSIDIARIES

On 30 November 2024, the Company, the vendor (the “**Vendor**”) and an independent third party, being the purchaser (the “**Purchaser**”) entered into a sale and purchase agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Billion Pride Group Limited (together with its subsidiaries, the “**Disposal Group**”). The cash consideration of HK\$1 was received.

The loss on disposal of the Disposal Group is analysed as follows:

	HK\$'000
Property, plant and equipment	57
Prepayments and other receivables	1,182
Bank balances and cash	1,151
Other payables and accruals	(826)
Net assets disposed of	1,564

The loss on disposal of subsidiaries is analysed as follows:

Total cash consideration	1
Net assets disposed of	(1,564)
Loss on disposal of subsidiaries	(1,563)
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	1
Less: Bank balances and cash disposed of	(1,151)
Net cash outflow as at 31 December 2024	(1,150)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes trade and bills payables, other payables, lease liabilities, borrowings and amount due to ultimate holding company, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider gearing ratio, the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio as at 31 December 2025 and 2024 is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade and bills payables	234,971	204,624
Other payables	22,341	18,621
Lease liabilities	1,982	2,474
Borrowings	255,192	217,089
Amount due to ultimate holding company	2,000	–
Less: Bank balances and cash	<u>(47,850)</u>	<u>(55,258)</u>
Total net debt	<u>468,636</u>	<u>387,550</u>
Capital deficiencies	<u>(219,931)</u>	<u>(140,487)</u>
Total equity	<u>248,705</u>	<u>247,063</u>
Gearing ratio	<u>188.4%</u>	<u>156.9%</u>

Notes to the Consolidated Financial Statements

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34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	163,434	167,718
Financial liabilities		
Amortised cost	514,504	439,650
Lease liabilities	1,982	2,474
	516,486	442,124

(b) Financial risk management objectives and policies

The Group's principal financial instruments include trade receivables, deposits and other receivables, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, acquisition payable to non-controlling interest of subsidiary, amount due to non-controlling interest of a subsidiary, borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group mainly operates in Hong Kong and the PRC, with certain of their sales and purchases transactions being settled in United States dollar, Hong Kong dollar and Renminbi. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily United States dollar, Hong Kong dollar and Renminbi, against the functional currency of the relevant group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As Hong Kong dollar is pegged to United States dollar, the Group does not have material exchange rate risk on such currency.

The Group's exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entities within the Group into the Group's presentation currency are excluded.

	2025				2024			
	US\$ HK\$'000	HK\$ HK\$'000	RMB HK\$'000	JPY HK\$'000	US\$ HK\$'000	HK\$ HK\$'000	RMB HK\$'000	JPY HK\$'000
Bank balances and cash	18,112	4	18	1	7,274	4	28	8
Borrowings	(61,454)	-	-	-	(91,544)	-	-	-
Overall exposure to currency risk	(43,342)	4	18	1	(84,270)	4	28	8

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the Hong Kong dollar exchange rate against Renminbi for group entities with Renminbi or Hong Kong dollar as functional currencies, with all other variables held constant, of the Group's loss for the year and accumulated losses.

	%	Increase (decrease) in loss for the year and accumulated losses HK\$'000
2025		
If Hong Kong dollar weakens against Renminbi	5	(1)
If Hong Kong dollar strengthens against Renminbi	(5)	1
2024		
If Hong Kong dollar weakens against Renminbi	5	(1)
If Hong Kong dollar strengthens against Renminbi	(5)	1

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss for the year and accumulated losses measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group, including intra-group balances with foreign operations within the Group denominated in a currency other than the functional currency of the foreign operations, which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis as for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to borrowings and lease liabilities. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Financial assets at amortised cost	<u>140</u>	<u>25</u>

Interest expense on financial liabilities not measured at FVTPL:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Financial liabilities at amortised cost	14,833	17,550
Lease liabilities	165	208
Convertible bonds	–	<u>426</u>
Financial assets at amortised cost	<u>14,998</u>	<u>18,184</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2024: 50 basis points) increase or decrease in variable-rate bank balances and pledged bank deposits are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2024: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2025 would decrease/increase by HK\$238,000 (2024: decrease/increase by HK\$275,000).

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk and impairment assessment

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from trade receivables from Toys segment, deposits and other receivables, bank balances and pledged bank deposits. The carrying amount of these balances represent out Group's maximum exposure to credit risk in relation to financial assets.

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For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables from Toys segment

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer having similar credit risk characteristics. Most of the customers are multi-national corporations with well-known brands for their toy products and have satisfactory credit rating.

Concentration risk of trade receivables from Toys segment

The Group has concentration of credit risk as 74.5% (2024: 78.7%) and 96.0% (2024: 94.5%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. These customers are international toy retailers with good credit ratings.

Deposits and other receivables

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Bank balances and pledged bank deposits

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with good reputation.

Concentration risk of bank balances and pledged bank deposits

As at 31 December 2025, the Group had certain concentration of credit risk as 94.9% (2024: 93.0%) of the total of cash and cash equivalents and pledged bank deposits was deposited with one financial institution in the PRC (2024: PRC) with high credit rating. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL (not credit-impaired)
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk (Continued)

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
At 31 December 2025						
Trade receivables	18	(note i)	Lifetime ECL (individual assessment)	70,434	(450)	69,984
		(note i)	Lifetime ECL (collective assessment)	11,555	(83)	11,472
Deposits and other receivables	19	Default (note ii)	Lifetime ECL	6,833	(4,558)	2,275
		Performing	12m ECL	2,045	(300)	1,745
At 31 December 2024						
Trade receivables	18	(note i)	Lifetime ECL (individual assessment)	105,083	(1,749)	103,334
Deposits and other receivables	19	Default (note ii)	Lifetime ECL	8,600	(4,558)	4,042
		Performing	12m ECL	4,718	-	4,718

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk (Continued)

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired or with significant outstanding balances, the Group determines the ECL for these items on a collective basis.

During the year ended 31 December 2025, for trade receivables, the Group provided for HK\$83,000 (2024: nil) ECL allowance based on provision matrix respectively.

As at 31 December 2025, ECL allowance of HK\$450,000 (2024: HK\$1,749,000) on trade receivables with significant balances with gross amount of HK\$70,434,000 (2024: HK\$105,083,000) respectively were assessed individually. These receivables are assessed for impairment allowance based on the historical credit losses experience, forward looking factors and adjusted for factors that are specific to the debtors, including settlement pattern, recent transactions with the Group and length of business relationship.

- (ii) For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL method, except for outstanding receivables from the purchaser of disposed subsidiary, Bright Triumph, in the other receivables with carrying amount of HK\$6,833,000 (2024: HK\$8,600,000) as at 31 December 2025. For the year ended 31 December 2025, the Group assessed the ECL for other receivables and deposits, an impairment loss of HK\$300,000 (2024: HK\$4,558,000) was recognised in the profit or loss.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on both borrowings and equity market as its source of liquidity. As at 31 December 2025, the Group had available revolving loan facility of HK\$47,000,000 (2024: HK\$82,000,000). Details of both borrowings and share issuance activities are set out in notes 24 and 28.

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities and net liabilities of the Group as at 31 December 2025 were HK\$296,654,000 and HK\$219,931,000 respectively. In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 3.1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the lenders choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2025							
Borrowings	5.13%	260,582	-	-	-	260,582	255,192
Trade and bills payables	-	119,332	115,639	-	-	234,971	234,971
Other payables	-	39,573	-	-	-	39,573	39,573
Lease liabilities	8.97%	148	296	1,067	604	2,115	1,982
Amount due to ultimate holding company	-	2,000	-	-	-	2,000	2,000
		421,635	115,935	1,067	604	539,241	533,718
2024							
Borrowings	6.23%	48,395	1,731	171,484	-	221,610	217,089
Trade and bills payables	-	153,534	51,090	-	-	204,624	204,624
Other payables	-	46,326	-	-	-	46,326	46,326
Lease liabilities	8.29%	118	236	891	1,275	2,520	2,474
		248,373	53,057	172,375	1,275	475,080	470,513

Bank borrowings with a repayment on demand clause amounting HK\$150,192,000 as at 31 December 2025 are included in the "On demand or less than 1 month" time band in the above maturing analysis. The directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings of the Group will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the bank loan agreement.

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For the year ended 31 December 2025

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

During the years ended 31 December 2025 and 2024, there had been no transfers between Level 1 and 2 or transfers into or out of Level 3.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

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35. 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 Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings <i>HK\$'000</i> <i>(note 24)</i>	Interest payables <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i> <i>(note 26)</i>	Convertible bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	238,097	3,176	3,387	2,476	247,136
Finance costs	–	17,550	208	426	18,184
New leases entered	–	–	744	–	744
Accrued interest	–	–	–	(302)	(302)
Deregistration of subsidiaries	–	–	(242)	–	(242)
Reclassified to borrowings	–	–	–	(2,500)	(2,500)
Disposal of subsidiaries	–	826	–	–	826
Financing cash flows	(18,747)	(12,671)	(1,553)	(100)	(33,071)
Foreign exchange translation	(2,261)	(87)	(70)	–	(2,418)
At 31 December 2024	217,089	8,794	2,474	–	228,357
Finance costs	–	14,833	165	–	14,998
New leases entered	–	–	1,613	–	1,613
Deregistration of a subsidiary	–	–	(694)	–	(694)
Waiver of borrowings	(1,400)	–	–	–	(1,400)
Financing cash flows	37,456	(10,809)	(1,446)	–	25,201
Foreign exchange translation	2,047	(5)	(130)	–	1,912
At 31 December 2025	255,192	12,813	1,982	–	269,987

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36. MATERIAL RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transaction with related parties

During the year, the Group entered into the following transactions with related parties:

	2025 HK\$'000	2024 HK\$'000
Interest expenses paid to a licensed money lending company (note iv)	–	138

(b) Outstanding balances with related parties

	2025 HK\$'000	2024 HK\$'000
Acquisition payable due to non-controlling interest of a subsidiary (note i)	(1,700)	(1,700)
Amount due to non-controlling interest of a subsidiary (note ii)	–	(45)
Amount due to ultimate holding company (note iii)	(2,000)	–

Notes:

- (i) The acquisition payable is unsecured, interest-free and repayable on demand (note 22).
- (ii) Amount due to non-controlling interest of a subsidiary is unsecured, interest-free and repayable on demand.
- (iii) Amount due to ultimate holding company is unsecured, interest-free and repayable on demand (note 25).
- (iv) The licensed money lending company was one of the shareholders of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

36. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of key management, comprising the directors of the Company, during the year is as follows:

	2025 HK\$'000	2024 <i>HK\$'000</i>
Short-term employee benefits	3,213	3,794
Post-employment benefits	81	51
	3,294	3,845

The remuneration of key management, comprising the directors of the Company, is determined having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name	Place of incorporation/ registration	Registered paid-up capital/ nominal value of issued and fully paid ordinary share	2025		2024		Principal activities
			Percentage of equity attributable to the Company				
			Direct	Indirect	Direct	Indirect	
Central Information Limited	Hong Kong	Ordinary shares of HK\$100	-	100%	-	100%	Provision of management services
Sewco (B.V.I.) Limited	British Virgin Islands	Ordinary shares of US\$401	100%	-	100%	-	Investment holding
Sewco Toys & Novelty Limited	Hong Kong	Ordinary shares of HK\$76,000,200 Non-voting deferred shares of HK\$420,000	-	100%	-	100%	Investment holding and sale of toy products
Zhongshan Sewco Toys & Novelty Limited*#	The PRC	Paid-up capital of HK\$124,300,000	-	100%	-	100%	Manufacturing and sale of toys products
名鮮株式會社	Japan	Paid-up capital of JPY5,070,000	-	78.9%	-	78.9%	Plantation and sale of agricultural products

* Literal translation of the Chinese name

A wholly foreign-owned enterprise registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

38. EVENTS AFTER END OF THE REPORTING PERIOD

Subsequent to 31 December 2025 and up to the date of this report, the following events took place:

(a) Rights Issue

On 15 October 2025, the Company proposed the Rights Issue on the basis of seven (7) Rights Shares for every one (1) existing share of the Company held on the record date at a subscription price of HK\$0.14 per Rights Share on a fully underwritten basis by issuing an aggregate of 1,299,962,832 Rights Shares.

The Rights Issue has been approved by independent shareholders of the Company at the special general meeting held on 5 December 2025. It became unconditional on 9 January 2026 and was completed on 16 January 2026. The gross proceeds from the Rights Issue were approximately HK\$182.0 million and the net proceeds, after deducting the underwriting commission and all other related expenses, were approximately HK\$176.7 million.

(b) Proposed Change of Company Name

On 30 January 2026, the Company proposed to change the English name of the Company from "Winshine Science Company Limited" to "Poly Xverse Intelligent Technology Co. Ltd" and to adopt "香港萬維智能科技有限公司" as its secondary name in Chinese in place of the current Chinese name of "瀛晟科學有限公司", which has not been registered with the Registrar of Companies in Bermuda and is used for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	–	302
Right-of-use assets	–	193
Interests in subsidiaries (<i>note a</i>)	–	–
	<u>–</u>	<u>495</u>
Current assets		
Prepayments, deposits and other receivables	2,938	510
Bank balances and cash	1,320	70
	<u>4,258</u>	<u>580</u>
Current liabilities		
Other payables and accruals	15,466	18,116
Borrowing	45,000	47,500
Amount due to subsidiaries	9,349	–
Amount due to ultimate holding company	2,000	–
Lease liabilities	–	196
	<u>71,815</u>	<u>65,812</u>
Net current liabilities	<u>(67,557)</u>	<u>(65,232)</u>
Total assets less current liabilities	<u>(67,557)</u>	<u>(64,737)</u>
Net liabilities	<u>(67,557)</u>	<u>(64,737)</u>
Capital and reserves		
Share capital (<i>note 28</i>)	1,857	1,454
Deficit (<i>note b</i>)	(69,414)	(66,191)
Capital deficiencies	<u>(67,557)</u>	<u>(64,737)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

Notes:

- (a) The amounts due from subsidiaries are classified under non-current assets as the directors of the Company consider that the amounts due from subsidiaries are part of the investments in subsidiaries. The amounts are unsecured, interest-free and repayable on demand.
- (b) Movement in the Company's reserves

	Share premium HK\$'000	Convertible bond equity reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	32,377	7	86	152,762	(249,700)	(64,468)
Total comprehensive expense for the year	-	-	-	-	(16,244)	(16,244)
Lapse of convertible bonds	-	(7)	-	-	7	-
Issue of new shares pursuant to subscription agreements	9,627	-	-	-	-	9,627
Capital reduction	-	-	-	-	4,894	4,894
At 31 December 2024	42,004	-	86	152,762	(261,043)	(66,191)
Total comprehensive expense for the year	-	-	-	-	(14,400)	(14,400)
Issue of new shares pursuant to subscription agreement	1,132	-	-	-	-	1,132
Issue of new shares pursuant to placing agreement	10,045	-	-	-	-	10,045
At 31 December 2025	53,181	-	86	152,762	(275,443)	(69,414)

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

Five-Year Financial Summary

RESULTS	Year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	382,395	515,908	523,262	849,096	724,627
(Loss) profit before tax	(94,341)	(69,437)	(22,998)	11,769	(129,873)
Income tax credit (expense)	671	(4,325)	(6,363)	(3,690)	(6,142)
(Loss) profit for the year	(93,670)	(73,762)	(29,361)	8,079	(136,015)
Attributed to:					
Owners of the Company	(92,830)	(73,026)	(28,650)	8,079	(136,015)
Non-controlling interest	(840)	(736)	(711)	–	–
	(93,670)	(73,762)	(29,361)	8,079	(136,015)
ASSETS AND LIABILITIES	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total assets	331,099	352,880	414,325	340,946	550,348
Total liabilities	(551,030)	(493,367)	(495,194)	(430,594)	(649,290)
Capital deficiencies	(219,931)	(140,487)	(80,869)	(89,648)	(98,942)
Capital deficiencies attributable to owners of the Company	(217,673)	(139,038)	(80,055)	(89,648)	(98,942)
Non-controlling interest	(2,258)	(1,449)	(814)	–	–
	(219,931)	(140,487)	(80,869)	(89,648)	(98,942)